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Daily Report
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FBIS-SOV-95-130 *7 July 1995*

CONTENTS

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INTERNATIONAL AFFAIRS

CIS-China Delegations Make Progress on Cutting Border Troops *[ITAR-TASS]* 1

INTERREGIONAL AFFAIRS

ITAR-TASS Carries Press Review for 7 Jul 2
Central Asian States Planning Economic Integration *[INTERFAX]* 2
Article Comments on IMF Loan Repayment in CIS *[ROSSIYSKAYA GAZETA 30 Jun]* 3

RUSSIA INTERNATIONAL AFFAIRS

Kozyrev Quoted on Various Foreign Policy Issues 5
Russia 'Must Create' CIS Bases *[INTERFAX]* 5
Stresses 'Vital Interests' of CIS *[INTERFAX]* 5
Foreign Ties 'Survived' Chechnya *[ITAR-TASS]* 6
Chechnya Punishment 'Counterproductive' *[INTERFAX]* 6
Questions NATO's Role in Europe *[INTERFAX]* 7
Foresees 'Partnership' With India, PRC *[INTERFAX]* 7
'Nothing New' in Dispute With Japan *[INTERFAX]* 7
Says Yeltsin Ukraine Visit 'Coordinated' *[INTERFAX]* 8
Praises Ties With Belarus *[INTERFAX]* 8
Moscow Not To Back NATO Plan in Security Council Vote *[INTERFAX]* 8
Moscow Favors Lifting UN Sanctions on Yugoslavia *[ITAR-TASS]* 8
Israel's Beilin: Moscow To Become More Involved in Talks *[Jerusalem Radio]* 9
Talks With Israel Reported *[ITAR-TASS]* 9

RUSSIA NATIONAL AFFAIRS

Political Issues

Yeltsin Signs Edict on Permanent Deployment in Chechnya *[ITAR-TASS]* 10
Government Spokesman Calls Basayev's Threats 'Farce' *[ITAR-TASS]* 10
Interior, Nuclear Ministers Made Security Council Members *[ITAR-TASS]* 10
New Interior Minister Says Ministry Needs Reforms *[INTERFAX]* 10
Kulikov Condemns Basayev's Threats *[ITAR-TASS]* 11
Romanov Likely To Replace Kulikov as Interior Troops Commander *[INTERFAX]* 11
SVR Deputy Director Yerin To Target Organized Crime Abroad *[MOSKOVSKIY KOMSOMOLETS 7 Jul]* 11
Bodyguard Service Denies Leader To Be New FSB Head *[INTERFAX]* 12
New Nationalities Minister Stresses Continuity of Policy *[SEGODNYA 7 Jul]* 12
Kozyrev Reassures on Cabinet Reshuffles *[ITAR-TASS]* 12
Communist Leader Zyuganov on Politics, Economy *[KOMMERSANT-DAILY 6 Jul]* 12
Rutskoy Interviewed on Role of Derzhava *[RUSSKIY VOSTOK Jun]* 15
Statute on Information Security Systems Ratified *[ROSSIYSKIYE VESTI 5 Jul]* 19

Military Issues

Defense Minister Grachev Warns of Dudayev Buildup *[KRASNAYA ZVEZDA 7 Jul]* 19
Grachev: 30,000 Soldiers Guard Moscow Streets *[INTERFAX]* 20
Government Backs Chemical Arms Destruction Bill *[SEGODNYA 7 Jul]* 20

Federal Assembly

Duma Opposes Call To End Groznyy Negotiations *[INTERFAX]* 20
Rybkin Voices Duma Concerns on Russians Abroad *[ITAR-TASS]* 21
Duma's Medvedev Airs Criticisms of Central Bank *[IZVESTIYA 5 Jul]* 21
Russia's Choice Opposes Impeachment of President *[ITAR-TASS]* 21
Duma Votes To Consider Impeachment Commission *[ITAR-TASS]* 22
Debate Postponed Until 12 Jul *[ITAR-TASS]* 22
Kozyrev Reports on Foreign Ministry 'Brain Drain' *[ITAR-TASS]* 22

Regional Affairs

Russian-Chechen Peace Talks Continue in Groznyy 22
'Deadlock' Said To Persist *[IZVESTIYA 6 Jul]* 22
Talks Aim To Prevent 'Civil War' *[ITAR-TASS]* 23
Yeltsin 'Might' Amend Troops Decree *[ITAR-TASS]* 24
Troops Edict To Be 'Altered' *[ROSSIYSKIYE VESTI 7 Jul]* 24
Yeltsin Edict 'Premature' *[ITAR-TASS]* 25
Moscow Approves Further Talks *[Moscow RTV]* 25
Volskiy Decries Basayev Threats *[ITAR-TASS]* 25
Russians Hand Over 4 POW's *[ITAR-TASS]* 25
Mine Explodes Near Talks Site *[ITAR-TASS]* 26
Moscow Accused of Violating Cease-Fire *[INTERFAX]* 26
Federal Commander in Chechnya Replaced *[ITAR-TASS]* 26
Russian Troops Accused of Looting, Killing Chechen Farmers *[ITAR-TASS]* 26

Economic Issues

Reaction to, Commentary on Ruble Rate Decision 27
Chernomyrdin on Currency Policy *[Moscow ORT]* 27
Ruble Rate Agreed With IMF *[ITAR-TASS]* 27
Rate May Create Export Problems *[ITAR-TASS]* 27
Central Bank Decision Criticized *[IZVESTIYA 7 Jul]* 28
Dollar, Mark Dependency To Continue *[IZVESTIYA 5 Jul]* 28
Authorities 'Manipulated' Rate *[TRUD 6 Jul]* 30
Reaction to Cash Reserve Directive *[KOMSOMOLSKAYA PRAVDA 4 Jul]* 32
Review of Panskov's 1996 Draft Budget Announcement *[ROSSIYSKAYA GAZETA 7 Jul]* 32
Oil Companies Adopt Fair Competition Declaration *[DELOVOY MIR 5 Jul]* 34

UKRAINE

International Affairs

Kuchma, German Bankers Discuss Monetary Reform Aid *[INTERFAX]* 35
Kuchma Sums Up Results of Germany Visit *[Kiev TV]* 35
Objectives of Baltic-Black Sea League Viewed *[MOLOD UKRAYINY 27 Jun]* 36
Cooperation Protocol Signed With Uzbek Border Troops *[UNIAN]* 37

National Affairs

New Crimean Speaker Outlines Plans for Parliament *[UNIAN]* 38
Crimean Supreme Council Presidium Resigns *[Kiev International]* 38
Crimea Seen Menaced by Ethnic 'Civil War' *[IZVESTIYA 5 Jul]* 38
Filenko on Revived New Ukraine *[NEZAVISIMOST 23 Jun]* 39
Supreme Council Endorses Basic Principles of Budget *[ITAR-TASS]* 42
Environmental 'Disaster' in Dnepropetrovsk *[DNEPROVSKAYA PANORAMA 27 Jun]* 43

Economic Issues

Kuchma's German Business, Commercial Contacts Reported *[INFOBANK]* 44
German Firms Plans To Decommission Chernobyl *[INTERFAX]* 44
German Firm To Undertake Projects in Odessa *[ITAR-TASS]* 45
Moroz Complains of 'Critical' Economic Situation *[ITAR-TASS]* 45
Tax Breaks for Foreign Investors in Economic Zone *[INFOBANK]* 45
Preliminary Approval of Law on Income, Property *[INTELNEWS]* 46
'Experiment' With Gas Payments Criticized *[DEMOKRATYCHNA UKRAYINA 4 Jul]* 46

WESTERN REGION

Belarus

Lukashenka Reviews One 'Hard' Year in Office *[INTERFAX]* 49
'Special Police Unit' To Protect Oil Pipeline *[INTERFAX]* 50

Moldova

Snegur on Chisinau-Tiraspol Talks on Dniester *[INTERFAX]* 51
World Bank Official Lists Loans, Future Projects *[INFOTAG]* 51
National Bank Writes to IMF on Currency Convertibility *[INFOTAG]* 52

CENTRAL ASIA

Kazakhstan

Ambassador to Moscow Explains New Draft Constitution *[KOMMERSANT-DAILY 6 Jul]* 54
'Domestic Nationalism' Driving Russians Out *[ROSSIYSKAYA GAZETA 30 Jun]* 54

Kyrgyzstan

Akayev Wants Minister, Government Chief of Staff Out *[INTERFAX]* 55
Economic Minister on 'Hard Way Out of Crisis' *[SLOVO KYRGYZSTANA 29 Jun]* 55

Turkmenistan

Niyazov Signs Joint Investment Contracts With Iran *[SEGODNYA 6 Jul]* 57
Article Views Relations With Iran *[SELSKAYA ZHIZN 27 Jun]* 57

CAUCASUS

Armenia

Foreign Minister Discusses Trip to Bulgaria *[ARAGIL ELECTRONIC NEWS BULLETIN]* 59
European Institute Monitors Parliamentary Elections *[NOYAN TAPAN]* 59
'Text' of European Observers' Statement *[NOYAN TAPAN]* 60
Elections, Referendum Valid; 70% Voter Turnout *[INTERFAX]* 61
Opposition Claims Exclusion From Voting Verification *[NOYAN TAPAN]* 62
Supreme Council: No Election Results 'Official' Yet *[NOYAN TAPAN]* 62
President: Referendum on Constitution 'Final Victory' *[INTERFAX]* 62
President Relieves Head of State Radio, TV From Post *[Yerevan Radio]* 63

Azerbaijan

Parliament Urged To Adopt Privatization Program *[TURAN]* 63
Privatization Program Plans Detailed *[TURAN]* 63

Georgia

Shevardnadze Thanks U.S. Government for Support *[Tbilisi Radio]* 64
Interior Minister Departs for Talks in Moscow *[Tbilisi Radio]* 64
Turkey Advised To Halt Shipping To Abkhazia *[Tbilisi Radio]* 64
Government Seeks Control of Aid to Abkhazia *[Tbilisi Radio]* 65
Abkhazia Hit by 'Economic Blockade' *[TRUD 1 Jul]* 65
Abkhazia Accuses Russian Deputies of 'Duplicitous Game' *[Moscow Radio]* 66
Georgian, Abkhaz Officials May Have Agreed on Repatriation *[Tbilisi Radio]* 67

BALTIC STATES

Estonia

President Meri Receives Polish Army Chief *[Tallinn TV]* 68
Human Rights Official Critical of Status of Russians *[ETA]* 68

Lithuania

Latvian President Continues Official Visit 68
Disputed Oil Deposits Discussed *[Riga Radio]* 68
Friendship With Russia Favored *[ITAR-TASS]* 69
Ulmanis Ready To Compromise on Border *[INTERFAX]* 69
Latvian President Concludes Visit *[Vilnius Radio]* 70

CIS-China Delegations Make Progress on Cutting Border Troops

LD0707075495 Moscow ITAR-TASS World Service in Russian 0548 GMT 7 Jul 95

[By ITAR-TASS correspondent Grigoriy Arslanov]

[FBIS Translated Text] Beijing, 7 July — The 16th round of talks between the joint delegation of Russia, Kazakhstan, Kyrgyzstan, and Tajikistan and a delegation from China on reducing the armed forces in frontier areas and furthering trust-promoting measures in the military sphere has ended.

For the first time, it is reported that progress has been made during the talks. Sources close to the talks told this ITAR-TASS correspondent that the delegations from both of the sides, which included representatives of the foreign policy and military departments of the five states, continued discussion of the entire complex of issues relating to the reduction of armed forces and furthering trust-boosting measures in the frontier areas of the neighboring states, in "a friendly and frank atmosphere."

Judging from statements made by the participants in the talks, a draft agreement on furthering trust-promoting measures in the military sphere may be drawn up by the time Russian Federation President Boris Yeltsin makes his scheduled visit to China in autumn.

In agreement with the accord reached, the next, 17th, round of talks is to take place in Moscow this September.

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ITAR-TASS Carries Press Review for 7 Jul

LD0707065795 Moscow ITAR-TASS in English 0646 GMT 7 Jul 95

["Press Review" — ITAR-TASS headline]

[FBIS Transcribed Text] MOSCOW July 7 (ITAR-TASS) — Newspapers report the resumed talks in Groznyy between the Russian government delegation and Dudayev representatives on a peaceful settlement of the Chechen crisis.

ROSSIYSKIYE VESTI recalls that the government delegation members, after an adjournment from the talks on the package of political issues, met in Moscow with Premier Viktor Chernomyrdin who then fixed all matters, raised by the delegation, with the President of Russia.

Referring to the opinions of the delegation members, the newspaper notes that the biggest problem for further action is posed by a President-signed decree on the deployment on individual units of the Russian army on the territory on the Chechen Republic.

KRASNAYA ZVEZDA, reporting an inspection tour of anti-missile and anti-aircraft defence units by Defence Minister Pavel Grachev, quotes his pronouncements about the Chechnya peace process.

Having emphasised that he takes a positive view of the ongoing peace talks in Groznyy, Grachev voiced concern over the "obvious circumstance that Dudayev-led armed formations are making use of the respite in military operations for a regrouping and the accumulation of their forces and for the replenishment of ammunition and food stocks".

The press comments on the joint statement by the Government and the Central Bank of Russia on fixing a band for the rouble exchange-rate fluctuations at the stock market and the Interbank currency exchange from 4,300 to 4,900 roubles per U.S. dollar until October 1.

ROSSIYSKAYA GAZETA carries an article on the subject under the headline "The currency market becomes predictable".

IZVESTIYA runs an article by Andrey Illarionov, Director of the Institute of Economic Analysis, who adheres to a different point of view. The article points out that the fixing of limits for the rouble rate fluctuations "has nothing to do with the introduction of a fixed foreign-exchange rate, the necessity and economic feasibility of which Russian and foreign economists have been speaking of over the past six months".

IZVESTIYA carries an article about the state of affairs in Neftegorsk, Sakhalin, which was flattened by a destructive earthquake 40 days ago.

The newspaper recalls that the quake ravaged the town, killing 1,958 people. Rescuers succeeded in pulling 406 survivors from under the rubble but 37 survivors have died in hospitals since. More than 500 Neftegorsk residents still remain in the town up to now: they have simply nowhere to go.

KRASNAYA ZVEZDA carries its own item about the death of Viktoriya Brezhnev, the widow of Leonid Brezhnev, in a ward at the Russian Government Medical Centre on July 5 at the age of 87.

PRAVDA runs an article dedicated to the anniversary of the death of North Korean President Kim Il-Song. The anniversary falls due on July 8.

"The Korean Workers' Party, headed by Comrade Kim Chong-Il, now seeks to implement Comrade Kim Il-Song's concrete proposals which found a ready response and support on the Korean peninsula and throughout the world — to reunite the country through the establishment of a confederation which presupposes the existence of two systems and two governments within one nation one, one state," the newspaper writes.

Central Asian States Planning Economic Integration

LD0507193195 Moscow INTERFAX in English 1602 GMT 5 Jul 95

[Compiled by Nikolay Zherebtsov and Andrey Petrovskiy; edited by Vladimir Shishlin: from the "Presidential Bulletin" feature]

[FBIS Transcribed Text] Plans have now been drawn up for economic integration by five Central Asian states in line with an idea that President Islam Karimov had first unveiled at the May session by the national parliament.

Vice President of Uzbekistan's Academy of Sciences Ibrahim Iskanderov who is also behind the plan called "Turkestan Is Our Common Home" said it provided for the creation of a common economic space in the region, with each of the five states' potential being put to use.

Iskanderov said Central Asia accounted for 20% of coal, 18% of gas, 33% of gold and 92% of cotton produced in the former Soviet Union. For effective use of that potential, there is a need to realign the economic systems of the five states (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) and to spur up their market reforms in order to develop regional industry and agriculture.

Great attention is focused on the problem of unemployment in the region whose birth rate is the highest among

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CIS states. Iskanderov put the population of Central Asia at about 56 million which increases by an annual one million or 1.7%.

The plant also takes account of the ethnic diversity of the region having more than 130 other ethnic groups and minorities. Iskanderov said all of them must be made to feel at home in Turkestan.

Article Comments on IMF Loan Repayment in CIS

MM0607123995 Moscow ROSSIYSKAYA GAZETA First Edition (Business in Russia Section) in Russian 30 Jun 95 p 15

[Article by Aleksandr Velichenkov: "From 'Bad' Debts to a Payments Union. Perhaps the IMF Will Change Its Standard Recommendations for Russia and the CIS"]

[FBIS Translated Text] The IMF's fairly standard recommendations for Russia — a tough government anti-inflation policy, a balanced budget, and the reduction of the budget's role as a financial agent for expenditure within the country — are bound to undergo substantial changes.

The result of attempts by our government to comply with the IMF's demands between 1992 and 1994 was that the Russian budget, as a proportion of GDP, fell by one-half compared with the United States. Inflation has basically ceased to respond to the reduction in the budget deficit and to the falling dollar. But, because of the fiscal policy based on the IMF's remedies in 1992-1994, it has become practically impossible to cover the budget deficit without IMF credits.

Meanwhile the terms on which the assistance was granted were so tough that Russia could not meet them. A stabilization fund of $6 billion to support the ruble exchange rate was promised in 1992, the amount received was zero: Of the planned $3 billion in standby credits that year, $1 billion was received. Consequently, when it came to new loans that year we made great strides, leaping ahead by a full $28.6 billion. Something similar happened in 1993: Out of the $6-billion stabilization fund, the amount received was again zero — and of the $4 billion in standby credits, the amount received was now zero as well. We received a smaller amount of credits — just $15 billion of that particular boon.

It is characteristic that the solution of such a major problem as nonpayments is hardly mentioned at all in the set of very tough conditions imposed on Russia in exchange for soft loans. According to Thomas Wolf, the IMF representative in Russia, this problem was not subjected to special analysis and the IMF has no recommendations on that score at the moment. In the 300-page volume of IMF economic surveys dedicated exclusively to Russia, the nonpayments problem receives exactly 15 lines. This is merely a statement of the fact.

Nevertheless, at the talks with Russia in the spring, the IMF insisted that the issue of treasury bonds by our government be halted. Even though this instrument was designed specifically to eliminate the nonpayments problem. Let us be clear here: The financial mechanism of our treasury bonds and IMF standby credits are identical. Essentially we are dealing with bills of exchange here. In the process of their circulation within the country, treasury bonds generate almost enough tax revenue to redeem them and remain in circulation after their redemption date. Treasury bonds yield their owners a return of 40 percent a year.

Mr. Thomas Wolf found it hard to answer the direct question of why, in the IMF's opinion, the Russian Government should not borrow via treasury bonds at 40 percent interest but could borrow by means of state short-term bonds at 80-100 percent interest at current rates (it has been as high as 250-300 percent).

What impact do nonpayments have on Russia? A payments crisis in the economy and a tax shortfall in the budget. What is the difference between a state short-term bond and a treasury bond as far as Russia is concerned? It means rejecting an effective means of payment that generates tax revenue and switching instead to the financial pyramid of the state short-term bond in which the subsequent issue has to be increased two- or three-fold to cover the cost of redeeming the previous issue. Consequently, by the end of this year, the next issue could exceed the financial potential of the commercial banks and the pyramid will then collapse. What does the IMF have to offer in that eventuality? Unfortunately the choice is not very great: IMF loans in the international markets.

The IMF's policy toward the states of the former USSR as a whole seems very bizarre.

The IMF's internal structure is oriented toward the territorial principle in which a group of countries in one region is linked to "their" member of the IMF Board of Governors. For example, Central and Latin America are divided into four groups, Africa into three, Asia into four, and so forth. The region of the former USSR, leaving aside Russia itself, is divided into four distinct groups. Only the Baltic countries were dealt with according to the standard logic. They were placed in the same group as the Scandinavian countries.

Belarus and Kazakhstan are in the same group as Belgium and Luxembourg; Ukraine, Moldova, Georgia, and Armenia are in the same group as Israel and

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the Netherlands; Kyrgyzstan, Azerbaijan, Turkmenistan, and Uzbekistan are in the same group as Poland and Switzerland.

It is quite obvious that this approach creates a further split within the CIS on the question of a payments union, for instance, and also makes it harder to discuss the CIS' financial problems at an international level, within the IMF itself.

During the years of its membership of the IMF Russia has lent about $6 billion to countries in the CIS. "When analyzing the consolidated balance of payments it is necessary to proceed from the premise that Russia's demands on the states of the former USSR cannot be fully used to finance Russia's obligations to countries outside the former USSR." Further: "...It is unlikely that the quality of Russia's financial demands on the former USSR countries is recognized in the international financial markets...." (IMF Economic Surveys, No. 16, April 1995, "Russia.")

Practical conclusions emerge from these preconditions. Russia's debts to the IMF, the Paris Club, and the London Club are "good" debts and must be paid. The IMF has also expressed its stance on this question in the most rigorous terms at the talks in Washington in April this year during First Vice Premier Chubays' visit there. The CIS countries' debts to Russia are a different matter, they will not be taken into consideration in the international financial markets and must be "processed in a civilized way" — they are to be restructured, in other words, payment is to be delayed for quite a long time. Instead of real assistance to Ukraine, Georgia, Armenia, and so forth, a "two-tier" method is to be used — financial "assistance" will be given to Russia and then "frittered away" on the "bad" debts of the CIS countries.

This practice operates not just in regard to Russia. Turkmenistan is in a similar situation: IMF membership has already cost it $2 billion in "suspended" CIS debts. Here is a typical example. When drawing up a $1.5 billion standby credit for Ukraine, the IMF put forward conditions on restructuring Ukraine's debts to Russia and Turkmenistan. This means one thing: These resources cannot be used as circulating assets within the CIS and thus will not ease our payments crisis. But these are precisely the terms on which Russia should settle up its "good" debts. The IMF has asked Russia to do the same thing — restructure the Ukrainian debts and do not try to use them in the international markets. As far as the IMF is concerned these debts remain secondary.

At first glance it might seem that the IMF does not have the mechanisms to act as a multilateral clearing house, but that is not true. In the 1950's and 1960's, the era of the "expensive dollar," a similar mechanism in which the IMF participated was used for around 20 years in West Europe until it finally developed into the ECU structure.

The CIS countries' experience of dealing with the IMF should prompt them to take a more balanced approach when choosing between the CIS and the IMF. If there is a clear bias in the latter's favor now, there is surely no need to apply Kyrgyzstan's experience to the whole of the CIS.

On the surface the republic has achieved the successes of stabilization based on IMF remedies — a balanced budget, inflation at the Western level, and a stable som. But the price paid is clearly disproportionate: The highest unemployment level in the CIS, the highest infant mortality rate, the lowest living standard, and the lowest pensions — which have not been paid for four to six months now. There are extremely modest hopes of an influx of capital investments.

In this connection it is important to resolve two questions — the creation of a common CIS strategy within the IMF, including the formation of a separate group of countries based on the IMF's classification, and the creation of a clearing-house payments union based on the countries' own structures and using the IMF's financial instruments.

From the viewpoint of Russia's domestic interests, the IMF is obviously unjustified in its recommendation to scrap the treasury bonds and its lack of a recommendation on nonpayments. In this sense, by all accounts, Russia will have to continue searching for financial instruments to resolve the nonpayments question.

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Kozyrev Quoted on Various Foreign Policy Issues

Russia 'Must Create' CIS Bases

LD0607134495 Moscow INTERFAX in English 1234 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — Russian Foreign Minister Andrey Kozyrev said he believed that Russia must create its military bases in the CIS countries and develop with them other forms of military and-technical cooperation.

He said in the Russian Federation Council today that some CIS countries were threatened from abroad. "They are of course interested in deployment of Russian military bases and in other forms of military cooperation with Russia. Russia must undertake this," Kozyrev went on to say.

He stressed that "there is nothing imperial here. This is normal international practice."

Kozyrev said he was in favor of Russia continuing its peacekeeping activity and that of other CIS countries on ex-USSR territory. "If not we than who (will do this)?," he wondered.

Kozyrev said the CIS countries would not invite third-party organizations for settling conflicts on their territory.

Nevertheless, he admitted that this was "a very heavy burden." "We have to bear material expenses and sometimes we lose our border guards and peacekeepers. However, we have no choice. Otherwise, we would suffer from even a larger flow of refugees and even larger destabilization of the situation along our borders," Kozyrev said.

He said Moscow would continue to seek to overcome the somewhat not so attentive approach of the UN and to a certain degree of the OSCE [Organization for Security and Cooperation in Europe] towards the CIS problems.

Stresses 'Vital Interests' of CIS

LD0607185795 Moscow INTERFAX in English 1742 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — Russia is ready to integrate in the CIS as far and in such forms as its partners are ready, Russian Foreign Minister Andrey Kozyrev said in Moscow Thursday opening a conference of Russian ambassadors to the CIS states.

According to Kozyrev, integration within the CIS was still based on the principle of multi-speed and multi-option development. "It was prompted by life itself," he added.

Kozyrev gave those present best regards from President Boris Yeltsin saying "the president believes that there is no more important task for Russia's diplomacy than to strengthen the CIS."

Kozyrev remarked that "the CIS is a zone of Russia's vital interests as much as Russia is such a zone for the CIS states."

According to Kozyrev, "such a formula as cooperation ensured not only a civilized divorce, but a successful start of gathering together most countries of the former Soviet Union."

Kozyrev said the Commonwealth's functional basis had been and will be economic cooperation. "An important step in this field has been made as Russia, Belarus, and Kazakhstan form a customs union and a mechanism of trilateral interaction, creating landmarks to move towards integration and towards other CIS states in many aspects is being shaped up," he added.

Many CIS states already show interest in such forms of cooperation, Kozyrev remarked. He stressed the customs union was open for all CIS states sharing its goals and principles.

In this context, economic integration will require "ever increasing transparency of internal borders," Kozyrev said.

At the same time, unfounded aid and unrecoverable loans should be abandoned, he said. "Both in politics and economics there must be equality of rights and duties for all partners," he emphasized.

Nevertheless, Kozyrev was convinced that "everything should not be brought to pure mathematics." "Of course, we should account for all loans and aid, but we should also remember our plans in a longer term. We should see the forest of our long-term interests behind the trees of concrete figures. All this, maybe later, will justify itself," he said.

The Russian foreign minister is nevertheless certain that it is not only arithmetics that should be borne in mind. "True, credits and aid extended must be counted, but one shouldn't forget about long-term plans", he said. "Figures must not make us forget about our long-term interests. It will pay, sooner or later", he said.

Kozyrev explained that the point at issue was protection of the external border of the CIS and Russia, the position of the Russian- language population in other

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Commonwealth countries and a number of other factors forming Russia's sphere of interests.

Kozyrev recalled that far from all countries of the Commonwealth were in a "stable environment". "It would be too early to say that external threat to the sovereignty and territorial integrity of CIS countries has disappeared", he warned.

"Terrorism, separatism and aggressive nationalism urge the CIS countries to form a joint system of security. It is still far from completion, but in a number of cases it has proved very effective", Kozyrev said.

He also accused the West and some international organizations of double dealing in the sphere of peacekeeping. "In Latin America (in Haiti — IF note) the United Nations is holding a costly peace- keeping operation. Russia and other CIS countries participate in financing it. When it comes to Tajikistan or other trouble spot in the CIS, we are told to act on our own", Kozyrev said.

He pointed out that Russia firmly resisted this trend in the United Nations and other international organizations.

Kozyrev condemned repeated attempts to discriminate against the CIS. "The UN and even OSCE documents frequently mention NATO, the West European Union, North Atlantic Cooperation Council and other organizations. At the same time their authors seek to refrain from ever mentioning the CIS. Russian experts who take part in drafting those documents experience heavy moral and political pressure. True, the CIS would keep developing without those mentions, but may then NATO, the West European Union and other organizations develop without them, too", Kozyrev said.

The Russian foreign minister described as utterly groundless speculations about some imperial ambitions in the CIS: "It is quite obvious that the Commonwealth is a factor for stability on a vast territory. Without it a merciless free-for-all would begin similar to that in former Yugoslavia."

Kozyrev called for greater financing of the diplomatic service: "Our ambassador in Kiev, for instance, is paid less than Western ambassadors and even some CIS ambassadors to Ukraine. This is beyond my understanding. After all, Russia is not the poorest country in the Commonwealth".

Kozyrev said Russian diplomats did not complain and worked no worse than the diplomatic missions of other countries. "What keeps them going is patriotism", Kozyrev said.

He is certain that the state must take greater care of the Foreign Ministry. "Some countries are economically strong, and others weak, there are also countries that do not have their own armed forces, but there is no country without its own diplomatic service", Kozyrev said.

Foreign Ties 'Survived' Chechnya

LD0607142995 Moscow ITAR-TASS World Service in Russian 1314 GMT 6 Jul 95

[By ITAR-TASS parliamentary correspondent Lyudmila Yermakova]

[FBIS Translated Text] Moscow, 6 Jul (ITAR-TASS) — The events in Chechnya "did not, of course, add anything positive to our foreign policy, but at the same time partnership relations between Russia and Western and Eastern countries, including the Muslim world, survived this load, or rather this overload," said Russian Foreign Minister Andrey Kozyrev to journalists after his speech today in the Federation Council. According to him, "there is only some slowing down along certain lines," for instance with the signing of a temporary agreement with the EU, but "there is no breakdown or reversal."

At the same time the minister said that delays in signing economic agreements are "counter-productive". Kozyrev does not see the logic of stopping only the economic cooperation because of fears of the militarization of Russia and possible renunciation of democratic processes after Chechnya. It is still more absurd, in his view, that Russia is being persuaded to sign the "Partnership for Peace" military-political program at the height of the Chechen events, whereas economic agreements are delayed.

"This is wrong and inconsistent," stressed the head of Russia's foreign department. One can surmise, he noted, that this is caused by "economic interests of the moment of certain Western circles which simply do not want to abolish the existing barriers."

Chechnya Punishment 'Counterproductive'

LD0607181895 Moscow INTERFAX in English 1711 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — It is "counterproductive" to politically "punish" Russia for the developments in Chechnya, Russian Foreign Minister Andrey Kozyrev told journalists after speaking before the Federation Council, the upper house of parliament, Thursday.

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Admitting that the developments "do not add anything positive to Russian foreign policy," he nevertheless doubted it was sensible to delay the signing of the provisional economic agreement with the European Union.

If the EU is worried that after Chechnya, Russian society will become militarized or will abandon democratic reforms, "the slowing down of economic ties contributes to the shift of attention to the military sphere," he stressed.

According to Kozyrev, there is "no logic in suspending precisely the economic cooperation on the basis of such worries." "Even more absurd" is the fact that "in the wake of the developments in Chechnya" the West "finally persuaded Russia to sign the NATO military and political "Partnership For Peace" program with the same western powers" that delay economic cooperation with Russia.

"We would like to believe that present-day economic interests of certain western circles that do not want to remove economic barriers they erected do not stand behind all this," said Kozyrev.

Questions NATO's Role in Europe

LD0607182195 Moscow INTERFAX in English 1711 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by our diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] Andrey Kozyrev believes that it is wrong that NATO or the European Union should pose as "central institutions in the European security system." "The tendency is seen on the part of both the NATO centrists within the bloc and certain political figures in eastern and central Europe who want very much to join the military and political alliance," he said.

According to Kozyrev, Moscow sees NATO as "just another institution that along with others has remained from past times."

"The all-European institution is the OSCE [Organization for Security and Cooperation in Europe], in which all European countries participate on an equal basis," he stressed.

However, he said that "complications in working out Russia's new relations with NATO and the negative attitude to the alliance's planned expansion should not obscure the fact that the most developed nations, many of which are members of the bloc, are our partners and we develop most close and energetic mutual ties with them."

"Russia cannot and should not remain behind the iron curtain, aside from central international political issues," concluded Kozyrev.

Foresees 'Partnership' With India, PRC

LD0607181995 Moscow INTERFAX in English 1711 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) - Foreign Minister Andrey Kozyrev told the State Duma that for the first time in recent decades the relations with China steadily become those of strategic partnership.

In his words, Russia offers strategic partnership to China, India and other countries as well as the West.

"There is no contradiction here," he said, because "Russia does not set up military alliances against other countries."

"Our partnership is not against anybody but for certain goals. With China the goal is stability on the world's longest land border" he said.

'Nothing New' in Dispute With Japan

LD0607182495 Moscow INTERFAX in English 1711 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by our diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — Asked by an MP [member of parliament] about the status of the territorial dispute with Japan, Kozyrev said that nothing new has emerged.

In his words, the problem has been dealt with along the lines of the Tokyo declaration signed by Russian President Boris Yeltsin during his visit to Japan in 1993.

Kozyrev emphasized that Russia will hold talks with Japan on that issue in the framework of the declaration.

The declaration stated the existence of a territorial dispute and the intention of the two countries to have it resolved on the basis of legality and justice.

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Says Yeltsin Ukraine Visit 'Coordinated'

LD0607183795 Moscow INTERFAX in English 1744 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by Aleksandr Korzun, Igor Porshnev, and Yevgeniy Terekhov]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — The schedule for Russian President Yeltsin's visit to Ukraine has been coordinated, but not the date. This statement was made for INTERFAX in Moscow on Thursday [6 July] by Russian Foreign Minister Andrey Kozyrev.

He said that on Wednesday he met with the Ukrainian ambassador in Moscow "and discussed with him all these points".

According to Kozyrev, "serious preparations are needed for the visit". "This is a very serious step," said the Minister.

Earlier on Thursday, addressing the Federation Council, Kozyrev said that "the preparation of a package of concrete agreements on the basis of the understandings reached at the recent Russian- Ukrainian summit in Sochi, will make it possible soon to open the way for the Russian president's visit to Kiev."

He also said that "the meeting in Sochi made it possible to take an important step toward establishing relations of strategic partnership with Ukraine". "We do not see relations with Ukraine being otherwise," said Kozyrev.

Praises Ties With Belarus

LD0607182295 Moscow INTERFAX in English 1711 GMT 6 Jul 95

[From the "Diplomatic Panorama" feature: by diplomatic correspondents Aleksandr Korzun, Igor Porshnev, Yevgeniy Terekhov, and others]

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — Foreign Minister Andrey Kozyrev spoke at length of the Russian-Belarussian relations and noted their "unprecedented level."

He said that the most ramified framework of treaties and political agreements with Belarus has been created and it is important that specific economic transactions should not bring the structure thing down. If this happens, Belarus will set its eyes on the West.

Moscow Not To Back NATO Plan in Security Council Vote

LD0607135295 Moscow INTERFAX in English 1234 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — Russia will apparently give the cold shoulder to the NATO plan for the withdrawal of peace-keepers from Bosnia, when the question is put to the vote in the UN Security Council, a senior Russian Foreign Ministry official has said.

He said it made no sense to send additional forces to Bosnia. "This would only increase the threat to the lives of peace-keepers in Bosnia", the diplomat said.

The source said that Russia's Western partners in the contact group who were also NATO members in some cases failed to agree major decisions on Bosnia with Moscow. "First NATO aircraft bomb the Bosnian Serbs, then the Serbs take UN troops hostage - a step as intolerable as predictable - and then phone calls to President Yeltsin and Foreign Minister Kozyrev begin with requests to use the means available to us", the diplomat said.

He said that NATO's mode of action was reminiscent of a bull in a China shop. "Firstly, the air strikes only play into the hands of firm supporters of war to the bitter end in the Bosnian Serb leadership. They are an additional argument supporting their statements about the anti-Serb thrust of NATO policies and the alliance's support for the Muslims and the Croats. Secondly, the strikes sound the wrong message to the Bosnian Muslims and Croats and encourage them to launch ever new provocations against the Serbs", the source said.

Moscow Favors Lifting UN Sanctions on Yugoslavia

LD0607161595 Moscow ITAR-TASS in English 1515 GMT 6 Jun 95

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — The toughening of requirements set before Yugoslavia as a condition for lifting sanctions runs counter to the policy of the Contact Group to stimulate Belgrade's constructive approach, a Russian Foreign Ministry spokesman told ITAR-TASS on Thursday.

The spokesman, Grigoriy Karasin, said that attempts to link the stopping and lifting of sanctions with issues not connected with the reasons their introduction in 1992-1993, does not correspond to present-day Yugoslavian realities.

Unfortunately, a number of provisions of the UN Security Council decision adopted Wednesday are formulated precisely in this tone, the spokesman said.

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The decision suggests to extend the terms of stopping some sanctions against Yugoslavia for another 75 days. The sanctions were partially stopped for the first time last autumn.

The Russian representative abstained during the vote on the draft, Karasin said. He said Russia had to take into consideration that the other option — voting against — would lead to automatic restoration of sanctions against Yugoslavia in full measure, i.e. the "punishment" of Belgrade.

"We consider that some provisions of the document may be interpreted by participants in the Bosnia conflict as a manifestation of 'double standards' by the Security Council. This could have unfavourable consequences for operations in that country," Karasin said.

Sanctions were imposed on Yugoslavia in connection with the situation in Bosnia and Herzegovina and the policy pursued by Belgrade at that time, the Foreign Ministry spokesman recalled.

At present, the situation has changed significantly, therefore the sanctions should be lifted along with the disappearance of the reasons which caused them. A different approach would contradict the Security Council decisions, Karasin stressed.

Israel's Beilin: Moscow To Become More Involved in Talks

TA0607162795 Jerusalem Qol Yisra'el in English 1500 GMT 6 Jul 95

[FBIS Transcribed Text] Deputy Foreign Minister Yosi Beilin says Russia intends to become more involved in the talks currently mediated by the United States between Israel and Syria. Beilin said Russian Foreign Minister Andrey Kozyrev told him in a meeting in Moscow today that Russia has a special relationship with Syria. Kozyrev also offered his own personal involvement to advance the negotiations with the Syrians.

[Jerusalem Qol Yisra'el in Hebrew at 1500 GMT on 6 July in a similar report adds: "Earlier, Dr. Beilin conferred with his Russian counterpart, Viktor Posuvalyuk, who promised him that Moscow would seek international supervision of Iran's nuclear program."]

Talks With Israel Reported

LD0607190495 Moscow ITAR-TASS in English 1822 GMT 6 Jul 95

[By Yuriy Kozlov]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — Political interaction in the Middle East peace process and measures against international terrorism were discussed at Russian-Israeli consultations on Thursday within the frames of the first session of the working committee on Middle East.

The committee is co-chaired by Russia's Deputy Foreign Minister Viktor Posuvalyuk and Deputy Foreign Minister of Israel Yossi Beilin, currently on a visit to Russia.

Agreement has been reached on results of the meeting that the working committee on Middle East will operate on a regular basis and hold sessions at least twice a year, alternately in both countries. The consultations will cover the issues of bilateral relations, Middle Eastern settlement, regional security and stability.

Russian Foreign Minister Andrey Kozyrev received the Israeli delegation. The negotiating parties discussed in detail the situation in the Middle East, the situation at Arab-Israeli talks.

Russia, being a sponsor of the Middle East peace process, intends to continue promoting the quest of mutually acceptable agreements for the purpose of establishing lasting peace, good neighbourliness, and cooperation in the region, the Russian foreign minister said.

The Israeli deputy foreign minister confirmed that the Israeli leadership is interested in expanding bilateral relations and deepening the political dialogue with Russia in the interests of instituting stability and peace in the Middle East.

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Political Issues

Yeltsin Signs Edict on Permanent Deployment in Chechnya

LD0707114295 Moscow ITAR-TASS World Service in Russian 1055 GMT 7 Jul 95

[By ITAR-TASS correspondent]

[FBIS Translated Text] Moscow, 7 Jul (ITAR-TASS) — Boris Yeltsin signed an edict today setting up machinery for implementing the president's 3 July order that Russian military units can be permanently deployed in Chechnya.

The president's press service said the Russian Defense Ministry was instructed to work out proposals regarding places for deploying military units and local authority bodies, conditional on an agreement with relevant federal executive bodies. The edict, received today by ITAR-TASS, says "it is necessary to proceed from the results of settling the crisis in the Chechen republic and the Russian Federation president's instructions on this matter."

The president's 3 July order did not provide for any consultations with various authorities and allowed the Russian Defense Ministry to deploy military units, establishments, and organizations of the Russian Federation armed forces on the territory of the Chechen republic on a permanent basis.

Government Spokesman Calls Basayev's Threats 'Farce'

LD0607163695 Moscow ITAR-TASS in English 1605 GMT 6 Jul 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW July 6 (ITAR-TASS) — A Russian government spokesman qualified the new threats of Chechen terrorist Shamil Basayev as a "farce" and said the militant was just trying to remind the public of himself.

"The statement of Basayev is an attempt to reanimate himself in the political plan, to join the negotiating process which is developing without him", government spokesman Viktor Konnov told Tass Thursday commenting on Basayev's threat to use biological and radioactive weapons against Russia if peace talks in Groznyy fail.

Basayev headed the attack on the Russian town of Budennovsk where his militants killed over a hundred people and took over a thousand hostage. His main demand was to stop the war in Chechnya and begin peace talks.

"Basayev's action in Budennovsk was a national tragedy, but his new threats look like a miserable farce", Konnov said.

On Thursday Basayev claimed in an interview with an AFP correspondent in an unidentified location in Chechen mountains that he had "radioactive substances and biological weapons which Russia left to us".

"Half a kilo of uranium on Moscow and the city will cease to exist", he said adding that "if the talks fail I shall fight on the Russian territory. Besides Kremlin, there are many military objects", he told the agency.

The threats can be viewed as an "attempt to catch the leaving political train", Konnov said referring to the peace talks in Groznyy at which Basayev is absent.

However, he stressed that "despite the absurdity of Basayev's statements, federal authorities are doing everything necessary to ensure security of Russian citizens".

Interior, Nuclear Ministers Made Security Council Members

LD0707105695 Moscow ITAR-TASS in English 1047 GMT 7 Jul 95

[FBIS Transcribed Text] MOSCOW July 7 (ITAR-TASS) — President Boris Yeltsin appointed new Interior minister Anatoliy Kulikov and Atomic Energy minister Viktor Mikhaylov members of the Russian Security Council.

Former Interior minister Viktor Yerin and former Federal Security chief Sergey Stepashin were dismissed from the Security Council, the presidential press service said Friday.

New Interior Minister Says Ministry Needs Reforms

LD0607191795 Moscow INTERFAX in English 1738 GMT 6 Jul 95

[FBIS Transcribed Text] GROZNYY, July 6 (INTERFAX) — "The Interior Ministry needs reforms and I hope to start working on this very soon, leaning for support on healthy forces in the ministry," Colonel General Anatoliy Kulikov, appointed Russian interior minister by a presidential decree Thursday, said in a telephone interview with an INTERFAX correspondent.

He is now in Groznyy as a member of the Russian delegation holding talks on peaceful settlement of the crisis in Chechnya.

Kulikov said he would return to Moscow Friday, when he will most likely be presented to Interior Ministry top officials.

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Kulikov, 48, whose profession is a military officer, graduated with honors from the Vladikavkaz military school, Frunze Military Academy, and the Military Academy of the Russian Armed Forces General Staff. He has a scientific degree in economics. Kulikov is married with three children.

Kulikov Condemns Basayev's Threats

LD0707095695 Moscow ITAR-TASS World Service in Russian 0919 GMT 7 Jul 95

[By ITAR-TASS correspondents Sergey Trofimov and Oleg Artyushin]

[FBIS Translated Text] Groznyy, 7 Jul (ITAR-TASS) — The talks on a settlement in Chechnya "have entered the stage of practical implementation of the outlined measures and we now begin to implement a military block of problems without waiting for political issues to be resolved," said Russia's 48-year-old Interior Minister Anatoliy Kulikov speaking to ITAR-TASS in Groznyy prior to departing for Moscow to take up his new office.

"The talks are currently discussing the disarmament of illegal formations," Kulikov said. He stressed that he intends to personally take part in preparing the process of a peaceful settlement in Chechnya.

Asked about his attitude to Shamil Basayev's threats to carry out terrorist acts, he said that "the statement by Basayev is approved by no one and is utterly beyond all moral considerations." Kulikov said that the Chechen delegation today "expressed regret in connection with this" and added that everything is being done to prevent Basayev from carrying out his threat.

Romanov Likely To Replace Kulikov as Interior Troops Commander

LD0707111295 Moscow INTERFAX in English 0920 GMT 7 Jul 95

[FBIS Transcribed Text] MOSCOW, July 7 (INTERFAX) - Deputy Interior Troop Commander Anatoliy Romanov will most likely replace Colonel General Anatoliy Kulikov as interior troop commander, a source in the Interior Ministry told INTERFAX Friday. On Thursday, Kulikov was appointed as Russia's interior minister.

The source said Kulikov was the first interior minister to serve in the interior troops prior to appointment as such. At the same time, this will not mean a dramatic turn in the ministry's policy. "A professional of law enforcement replaced another professional," he remarked saying the minister has deputies to work on specific tasks.

SVR Deputy Director Yerin To Target Organized Crime Abroad

MK0707074095 Moscow MOSKOVSKIY KOMSOMOLETS in Russian 7 Jul 95 p 1

[Report by Aleksandr Khinshteyn: "'Mr. Yerin, Please Stay!,' Was What the Intelligence Service Chief Said to the Former Internal Affairs Minister"]

[FBIS Translated Text] The appointment of Viktor Yerin, disgraced former internal affairs minister, as deputy director of the Foreign Intelligence Service [SVR] has raised a real storm in power circles. The overwhelming majority of SVR staffers, for instance, hold a categorically negative view of a militia general's emerging at the "Yasenevo" intelligence center. Yerin's arrival at the service, however, is unlikely to change the situation there in any way.

MOSKOVSKIY KOMSOMOLETS has learned some details of this appointment. Knowledgeable sources at the SVR told us that the former minister turned with a request regarding his employment to the president at his own initiative last weekend. Evidently, the post of deputy director was perfectly suited for Yerin: On one hand, it does not entail too much responsibility; on the other, it is still respectable, say what you will. Moreover, now the Internal Affairs Ministry [MVD] is closed to him, the Federal Security Service [FSB] is a complete mess, while the Presidential Security Service [SBP] and the Main Protection Directorate [GUO] are too dangerous places to work at.

Yeltsin could not say "No" to a Hero of Russia: The last wish of a dismissed minister (just as of somebody sentenced to execution) is a command. Soon afterward he had a conversation with SVR Director Yevgeniy Primakov. Being perfectly aware of the fact that there is no use being overly uncompromising on such occasions, Primakov chose to meet Yeltsin halfway by specially finding a sinecure for his former colleague.

Although it is not the intelligence service's wont to disclose what its staffers are doing in particular (out of six deputy directors — the "militiaman," clearly, excluded — only two are "open"), your MOSKOVSKIY KOMSOMOLETS journalist was told that Yerin would supervise matters of combating organized crime internationally. That is, do essentially what he has done before. This is fairly curious in itself, because until recently a unit with the same objective, specializing in the collection and analysis of intelligence data, has operated within the foreign counterintelligence system (VKR — [acronym as published]) and has not been considered particularly important. Not so long ago, however, it was decided at the SVR to set up a regional mission abroad

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to collaborate and exchange information with foreign secret services. According to our information, the newly appointed deputy director will soon leave for a foreign country (which has not yet been chosen) to head this mission.

The snag is that this notwithstanding, no information analysis department or anti-organized crime administration will be set up at the SVR all the same — everything will remain unchanged. Thus, Yerin, as many other "dropouts," has become a typical "wedding general" [a guest invited to a ceremony exclusively to impress the public by his high rank or post]. He cannot but realize that, of course, but he has no other choice. It is better to hold a lieutenant general's post with the shoulder boards of general of the army than to be paid a pension for seniority and drive his own car.

He is expected fully to hand over his job at the MVD to the newly appointed minister by this weekend, to meet Primakov, and to take a vacation to calm his exhausted nerves. And upon his return, refreshed and suntanned, he will zealously get down to new and interesting work.

Bodyguard Service Denies Leader To Be New FSB Head

LD0707112295 Moscow INTERFAX in English 0929 GMT 7 Jul 95

[FBIS Transcribed Text] MOSCOW, JULY 7 (INTERFAX) - In response to a question from INTERFAX, the central bodyguards service of the Russian Federation rejected reports on the promotion of its chief, Lieutenant-General Mikhail Barsukov, to the position of the Director of the Federal Counterintelligence Service [FSB].

The former foreign intelligence chief Sergey Stepashin was removed from office by President Yeltsin, a few days ago.

Stepashin's first deputy Colonel-General Anatoliy Safonov is filling in for the absent foreign intelligence director.

According to knowledgeable sources, someone is to win the appointment by the end of this week.

New Nationalities Minister Stresses Continuity of Policy

MK0707073095 Moscow SEGODNYA in Russian 7 Jul 95 p 1

[Unattributed report: "Premier Introduces New Minister in Ministry on Nationalities Affairs"]

[FBIS Translated Text] Yesterday, Russian Federation Government chairman Viktor Chernomyrdin introduced to the Ministry for Nationalities Affairs and Regional Policy a new minister — Vyacheslav Mikhaylov. In Mr. Mikhaylov's words, he intends to preserve continuity of course in the field of nationalities policy. The prime minister, for his part, said that "the signing of several agreements with regions of Russia are being prepared at the present time which cover not only republics but also separate oblasts."

Kozyrev Reassures on Cabinet Reshuffles

LD0607144695 Moscow ITAR-TASS World Service in Russian 1333 GMT 6 Jul 95

[By ITAR-TASS parliamentary correspondent Lyudmila Yermakova]

[FBIS Translated Text] Moscow, 6 July (ITAR-TASS) — Government reshuffles "are a routine matter," Foreign Minister Andrey Kozyrev believes. Talking with journalists, including an ITAR-TASS journalist, he said: "The main thing is that everything must be done within the Constitution, quietly, without hysterics." Kozyrev said this is how things have been done by Viktor Chernomyrdin's government after the reshuffle matter was debated at a meeting of the Security Council and in parliament.

The foreign minister said these events "will strengthen Russia's reputation for being a country capable of coping with crises and reshuffles."

Communist Leader Zyuganov on Politics, Economy

MK0707063095 Moscow KOMMERSANT-DAILY in Russian 6 Jul 95 p 4

[Interview with Gennadiy Zyuganov, Communist Party of the Russian Federation leader, by Natalya Arkhangelskaya under the "Russia's Political Elite" rubric: "Neo-Communist Pragmatism: With a Net for the Voter" — place and date not given; first two paragraphs are introduction]

[FBIS Translated Text] Continuing its series of publications on political leaders of Russia, KOMMERSANT-DAILY today interviews Gennadiy Zyuganov, leader of the Communist Party of the Russian Federation (CPRF) — certainly, not because we shares his views. The same, however, applies to the CPRF head, who, after some hesitation, still agreed to give an interview to Natalya Arkhangelskaya, a KOMMERSANT-DAILY observer, despite his differences in views with the K-D editorial board.

Pro-Communist sentiments of a rather considerable part of population are a reality of political life in Russia. And Zyuganov represents this reality. Today, he is quite serious, talking about the possibility of his coming to power.

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[Arkhangelskaya] What mistakes of your predecessor — the CPSU — would you try to avoid, if you came to power?

[Zyuganov] The CPSU was not merely a party — it was a state and a political body managing the country. If the steering system of an aircraft is worn out, it must not be further used until it breaks down completely — it must be fully replaced. A state aircraft cannot be stopped for a single moment. Therefore, anyone who has participated in breaking down the CPSU as a structure, to my mind, is a criminal. And all of these people are now drifting about in this turbulent semi-mafia sea, not knowing how to rescue themselves.

[Arkhangelskaya] But you are talking not about mistakes of the CPSU, but of those who have broken it down....

[Zyuganov] The CPSU was an enormous structure, with its own hierarchy, including the Politburo, the Central Committee, oblast party committees, republic party committees, rayon party committees — and all of them had different functions. It is already impossible to reproduce such a complex hierarchic structure again. Its collapse so quickly meant that its safety margin had not been great enough. It could be broken only because this was done by the top officials, who, in fact, betrayed their country, allies, people, ideas, etc. A party can exist if it has a leader, ideas, and resources. The CPSU had enormous resources, it had ideas — the world's best ideas of humanism, fraternity, and justice. None of you will be able to think of anything better — no matter how long you live. These ideas are not 75 years old, they go back thousands of years. They were inherent in all religious treatises, and today they are being implemented in many states. In modern France, there is 100 times more socialism than in Yeltsin's Russia. This is the main point. And on the site of the crack, the CPSU trunk is giving rise to sprouts of various kind, including wild ones. We have taken from the CPSU heritage the best ideas, since we are convinced that a society where living standards of the very poor are 10 to 15 times lower than those of the very rich cannot be stable. In this country, this difference has already reached a level of 30 times — therefore, certain people do have something to defend by force of weaponry, but this cannot last long.

[Arkhangelskaya] Businessmen, who are already quite numerous in Russia, fear the communists, incidentally, because, after they come to power, they will start to change the currently established rules of the game, alter the laws drastically, and so forth. Are there grounds for such fears?

[Zyuganov] There is nothing more idiotic, and maybe even insane, than the present rules of the game. They are changing every day even now, without our participation: If you go somewhere, the return ticket can cost you already more than your ticket to that place. If you develop some project, before you start implementing it prices can jump so high that it becomes unprofitable. It is hard to imagine a worse situation for businessmen than today.

[Arkhangelskaya] Do you mean inflation?

[Zyuganov] Inflation is only a consequence. Just try to start your own business once taxes come to 85-90 percent. Today, it is profitable only to trade in money, taking advantage of changes in the rate and to speculate in foreign goods. Businessmen cannot like this. Recently, on my way back from Beijing, several "shuttle traders" came to talk with me in the plane, and they were nearly crying: We are ready to pay taxes, but reasonable ones. And today a trade permit at the Luzhniki market costs 300,000 rubles a day. Under the communists, everything will be done in accordance with the law: We shall cut taxes by 15 to 20 percent, or maybe by a factor of two. This will promote interest in working more efficiently. Incidentally, one of the reasons the CPSU failed was a complete monopolization of the economy, while having only one form of property — a state-owned one. And any monopolism leads to decay. Therefore, we are for a proper balance between different forms of ownership. As for the state, it will be given priority in the areas of energy, transport, high technologies, science, and culture.

[Arkhangelskaya] You often complain that your party is short of money. On what funds does the CPRF exist?

[Zyuganov] The party numbers 500,000 members, and the membership fee is 1,000 rubles [about $0.25] — this already yields 500 million rubles. The latest congress urged every member to contribute 5,000 rubles more for the party newspaper — this will add 2.5 billion rubles. We have, at a minimum, 7 million sympathizers who are also helping us. If they contribute at least 1,000 rubles each, this will amount to a considerable sum. Our party is backed by the masses; working people have always supported it and will continue to do so. In Kolomna constituency, Mavrodi [head of the notorious "MMM" company] and "the party of power" had been spending a lot of money, but it was our German Titov who came out the winner. Our activists visited every house, without being paid, and told the residents that Titov would stand up for the interests of common working people. And voters told us that, as a matter of fact, they had taken money from Mavrodi but voted for Titov.

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[Arkhangelskaya] Among your sponsors, however, there are some large commercial structures. People talk a lot, for instance, that the Kredobank is helping you.

[Zyuganov] This is idle talk. But I am sure that if a businessman is oriented toward the future, he cannot help seeing that the position of the communists is strengthening — and the midterm election results are proof of this, too. All over Eastern Europe, even in Hungary, leftists have come to power. And businessmen never put all their eggs in one basket. Therefore, I am sure that many businessmen will not only sympathize with us but will also show their interest in us.

[Arkhangelskaya] But the leftists in Europe are different from ours. They are social democrats there, whereas here they are orthodox communists.

[Zyuganov] Social democracy is a vague notion: a Swedish social democrat is very different from a Hungarian one, and both of them are completely unlike a social democrat in Germany. All of us like to take the United States as an example — but there are no social democrats there at all. For Gaydar and Fedorov, however, the United States is a model. Political movements in Russia are to comply with its national, economic, and cultural traditions. Walls in our houses are two times thicker than they are in the United States; and we bury our pipes two times deeper into the ground than they do there. Our climate is different. We live in a risky farming zone — our crops alternatively either wither away or are killed by frost.

[Arkhangelskaya] What are your relations with the agrarians? They seem to act increasingly independently from the communists.

[Zyuganov] The communists have their program objectives. They follow them and show very good discipline. We cannot — like the agrarians — keep changing decisions while a question is still being debated. Therefore, if their decision is different from ours, we take a timeout to discuss the issue jointly, and usually come to an agreement. The agrarians often stand up for their own professional interests. I fully understand them — they need to plow, to mow, and to harvest. In politics, however, there are some future- oriented matters — if one is guided only by considerations of the current moment, one can make a lot of mistakes. Therefore, constant consultations are necessary. Our main aim now is to coordinate our activities in December, so that we come to the presidential election fully armed. So, we are trying to figure out now whether we should fish for voters using one or two nets? Or maybe three? It is essential not to lose those who have already turned away from the democrats. Let them support if not us, then our sympathizers.

[Arkhangelskaya] How do you assess the agrarians' present maneuvers with respect to Rybkin's center-left bloc? First, they say that they agree to join it; then, they announce that they are going to create a bloc of their own....

[Zyuganov] The explanation is quite simple. Yeltsin, together with his structures, has made up his mind to sit as firmly in the center as possible. Chernomyrdin and Rybkin are to play the roles of right and left hands, respectively. The premier will propose his candidates in large industrial centers, sea ports, and regions supplying raw materials. There, they will be able to pay off people by trading our national wealth and, in this way, to maintain their positions. And Rybkin is to play the role of a vote collector in the "red belt" — going from Pskov, Novgorod, Bryansk, the Central Region, the Volga Region, and Orenburg, down to Blagoveshchensk. This two-headed eagle will be controlled by one center. They will scatter their candidates so that they do not interfere with one another and blemish each other's image. At the same time, they hope that we shall fail to come to an agreement with the agrarians and, by competing with one another, will let their candidates pass through. This is the purpose of their calculations. We, on the contrary, are trying to come to an agreement with a wide range of our allies — the agrarians, women, trade unions, and so forth. In 1993, the authorities, incidentally, already tried to occupy the center — Rutskoy, Volskiy. The latter did not receive even 5 percent of votes. In this country, there used to be a wide center — teachers, physicians, journalists, who lived a not very rich but a secure life. Today, some 5 percent of them have become fabulously rich and have shifted to the right, whereas the rest of them are turning into lumpen proletarians, shifting to the left. A world- renowned professor at Moscow State University receives a salary of $50 — how should one understand this? The salary of a leading engineer at a defense industry enterprise amounts to $20. Therefore, nobody is in the center now, but the authorities want to become firmly entrenched there. They can win only under two conditions — if the results are falsified, or if the election is altogether frustrated.

[Arkhangelskaya] And how do you intend to divide voters with your neighbors in the electoral field — Rutskoy and Zhirinovskiy?

[Zyuganov] We shall try to come to an agreement. I have not lost all hope of uniting all of the patriots, including Rutskoy. It is difficult, however, to deal with Zhirinovskiy: One may come to an agreement with him at 8 o'clock, then at 9 o'clock he cancels it, and at 11 o'clock he already thinks of something else. He, however, virtually always backs Yeltsin's policy. We are living under a Zhirinovskiy-Yeltsin constitution. He

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signed the Public Accord Treaty, although I had warned him that this would end in a great war. It indeed so happened. What accord can one talk about when there are 15 million people who are simply hungry, with an income of half the minimum subsistence level. The rich will never come to an agreement with the poor. And look at our rich people.... They have already gotten tired of driving in their Mercedes cars, and of vacationing on foreign beaches. Their souls are uneasy, eyes are sad: That world is alien for them, they already want to come back, but there are no ways for them here — they can invest money nowhere.

[Arkhangelskaya] Recently, Academician Aleksey Berezkin, leader of the State Patriotic Association "Spiritual Heritage," with which you closely cooperate, urged the leaders of "[Russia Is] Our Home" to lean on a wide range of statehood- and patriotically minded political forces, including the CPRF. How would you comment on this?

[Zyuganov] "Spiritual Heritage," uniting mainly intelligentsia, is cooperating with us. We highly appreciate this fact. As for support of the authorities.... Administrative structures exist in any state, and all of us are interested in their normal operation — irrespective of any changes in political forces in power. We have certain demands to the authorities, and if the present authorities accept and start to implement them, they will receive our support. I mean, for instance, anything regarding strengthening our friendship with Ukraine, Belarus, Kazakhstan, and others, as well as with our foreign friends, such as China or India.

[Arkhangelskaya] Are we to understand that the CPRF is ready, on certain terms, to support Chernomyrdin's "Russia Is Our Home" bloc?

[Zyuganov] For the time being, "Russia Is Our Home" is violating everything that can be violated. But authorities in this country are many-sided. Russia has not collapsed for the sole reason that mid-level administrators and enterprising people, who fulfill their duties honestly and professionally, have survived. There is no central management in the country, presidential edicts do not work beyond the Kremlin walls, but maybe this is for the Russia's benefit — otherwise, it could have been sold out.

[Arkhangelskaya] What about the rumors that there are secret arrangements between the communists and the "Yabloko" bloc on their tactics for the upcoming election?

[Zyuganov] I can answer with full responsibility: We hold consultations with everyone in the Duma. As for Yavlinskiy, he is the most moderate and professional politician in the democratic camp. I wish to repeat, however, that we maintain contacts with everybody....

[Arkhangelskaya] including "Russia's Choice?"

[Zyuganov] There are people of various kind there, too. For instance, we have used all of our authority to localize hot spots, especially in the North Caucasus. Consultations on Chechnya have been held with everybody — politicians, men of the arts, and even with representatives of the mafia.

[Arkhangelskaya] People say that you have agreed with "Yabloko" that, if in the presidential election Yavlinskiy passes through to the second round and you fail to do so, the communists will give him their votes. Is this so?

[Zyuganov] The statehood-minded patriotic bloc has its shadow team consisting of prominent people, professionals, skilled administrators, to whom the reigns of government can be trusted if we come to power. If Yavlinskiy chooses to join in, cooperation is quite possible.

[Arkhangelskaya] And is cooperation possible in the presidential election?

[Zyuganov] Let us not go too fast, we would better solve our first problem now. Our votes will be given to those who love our motherland, care for it, and do not divide our history into the periods before 1917 and after.

[Arkhangelskaya] Which of the periodicals ideologically close to the communists — PRAVDA or SOVETSKAYA ROSSIYA — do you like most?

[Zyuganov] First, we have a periodical of our own — PRAVDA ROSSII — published as an inset enclosed with these newspapers once a week. As for SOVETSKAYA ROSSIYA, I can say that this is a truly people's newspaper, both in spirit and character. Look how many letters it is receiving, and what brilliant authors work there. People support it with their means; it has its own style and a fairly good subscription rate. You can read it, for instance, on the information stand at Moscow State University — nobody tears is down there. But PRESS-EKSPRESS never cites it. That is a shame.

Rutskoy Interviewed on Role of Derzhava

954F2665A Irkutsk RUSSKIY VOSTOK in Russian No 13 (72), Jun 95 p 1

[Interview with A.V. Rutskoy, chairman of the Derzhava social-patriotic movement, by M. Nazarov; place and date not given: "'We Are All Learning Lessons From What Is Happening...'"]

[FBIS Translated Text] [Nazarov] Aleksandr Vladimirovich, your identity has in recent years

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been distorted considerably by the news media. You have not for this reason had a chance to get used to responding to awkward questions. Nonetheless, I will ask you to excuse me if our interview consists mainly of these. They are not my questions. The point is that the program documents of the Derzhava movement are attracting primarily figures of a national-Orthodox philosophy. And it was in this milieu that heightened interest, for example, in your trip in 1992 to Israel as vice president was noted.

[Rutskoy] The very wording of the question says that I was an officer of the state. I visited many countries at that time. Rutskoy traveled to Israel, and not only Israel but simultaneously to Egypt also, not as a private person but as the vice president of a "new" state—the Russian Federation. This was a multipurpose, official trip, which tackled not only the question of the development of official relations with Israel but the question of Palestine also. Subsequently this work of mine was used to some extent by the United States and Kozyrev, who participated in the reconciliation of the Israelis and the Palestinians. But when, following my trip, there came to be speculation about the fact that I had some national relationship to this matter, I found this simply ludicrous. This can only be understood at the general level of the attempts to discredit me which had already begun at that time. But I would like to emphasize that I have an identical view of people of any nationality. The main thing for me is a person's decency. As a Russian and a Christian, therefore, I do not perceive this matter as hurting me.

[Nazarov] Your critics observe that you followed Israeli protocol in Israel, visited Jewish national shrines....

[Rutskoy] This protocol cannot be avoided. Visitors respect the host's laws. All politicians visiting some country abide by local protocol. I did not go deeply into the protocol, therefore, and as I went along did what I was told to do by the appropriate members of staff. But upon arrival in Israel, where do you think I made for as the first order of business?... To the Holy Sepulcher, to obtain benediction there. Not every person has the opportunity to visit the Holy Sepulcher in the Holy Land. And this land is altogether holy for the Orthodox, and a Russian has always been happy to visit it. As far as the Wailing Wall is concerned, I was, protocol aside, curious to see these stones of a temple of antiquity. They were, after all, witness to the deeds of the Prophet Elias, John the Baptist, and Christ himself. Or is it a sin for a Russian to visit the tomb of King David, the author of the most Christian part of the Old Testament—the Psalter? I am a secular man, I do not bear the lofty responsibility of guardianship of Orthodox dogma, whose finer points I do not greatly comprehend, although I accept them fully with my heart. But the highest religious personages of the church also permit themselves to meet the rabbis abroad. The main thing is not to betray one's faith when communing with those of a different faith.

[Nazarov] It is requested from Rostov, from monarchical Cossack circles, that you also explain why on your tour of Rostov Oblast you were accompanied by a "group of Israeli businessmen"?

[Rutskoy] The first publication on this trip appeared in the newspaper DEN—whence the start of this rumor: Rutskoy was accompanied by Israelis because he has mortgaged to them Cossack land and such. Well, what can you say.... Yes, there was one Israeli member of the delegation. But there were also entrepreneurs from Spain, Germany, and Britain. It was not I who selected them specially for this trip—they themselves had an interest in it. The question being decided was not one of the sale or mortgaging of land but of investments. There are no documents concerning any "mortgage" nor could there be. But what is wrong about there being people who are prepared to invest money in Russian production? I visited not only Rostov but other oblasts also as part of such delegations.... This whole story of the "mortgaging of lands" is cut from the same cloth as my "trust" agreement concocted by the president's team to discredit the opposition vice president. The forgery was exposed long since, but proceedings have not been instituted against the culprits, of course.

[Nazarov] Let us go further: the matter of the October events. It is maintained that you played the coward and refused the support of the military units that came to you. On the other hand, you are condemned also for armed extremism—the call to seize city hall and Ostankino.... I know that you describe everything in detail in books which are to be published shortly, so we will not at this time waste time on this. I shall ask merely a general question. What lessons have you learned from this confrontation for the present stage of the political struggle?

[Rutskoy] The answers to all such questions may be found in my books "Bloody Autumn" and "About Us and Ourselves." The first contains a diary of the events documented in detail. It can be seen from it how many of my addresses, directives, and appeals to the army to come to the defense of the constitution there were. How could I have appealed and refused? And how could I not have given the order to seize city hall if that was the place from where the demonstrators were being fired on and people were falling before my eyes? Should I have let them continue to be killed?...

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[Nazarov] Some people believe that the leadership of the Ministry of Defense advised the commanders of the army units at that time to respond to your appeals loyally, as it were, and to promise support in order to mislead you and to deny this support on the decisive day. Did something like this happen?

[Rutskoy] I cannot confirm whether Grachev gave such commands. But from around the 24th through the 3d representatives of army staffs, divisions, and regiments were coming to us constantly. And all offered to help. We even worked out on maps plans for the protection of the House of Soviets, who should be positioned where, and I personally drew up together with these officers about 10 such plans.... But subsequently all these defenders disappeared somewhere.

The story, however, that I declined the army's assistance was put about by the newspaper of Sterligov, who sees this as a reason for our defeat. Those who believe this evidently do not know that Sterligov himself fled the House of Soviets back on the 23d. And there are many such patriot-theorists today: They abandoned us all to the whim of fate and are today arguing about why we were defeated. And in order to excuse their cowardice they are putting about such rumors.

The lesson I learned from this is a simple one: In the future, do not hook up with such people. I now know them inside out. And whereas earlier a whole hive of various eminent figures hovered around me, today, as you can see, I have virtually none of them. People are now joining Derzhava who are prepared to work, not only speak from a rostrum. We are being joined by specialists in economics, foreign policy, sociology, medicine.... It is these people who are needed to raise the country up.

[Nazarov] Even following the formation of the Derzhava movement you remained chairman of the Social Democratic Party. RUSSKIY VESTNIK, for example, asks in this connection "what is the explanation for Rutskoy's commitment to social democracy?" The author of the review even writes that "this is a borrowed idea living as a parasite on Russian traditions"....

[Rutskoy] I am a supporter of social justice, and for this reason man's social protection takes pride of place for me. Without the social theme, politics is pointless—what is it for in this case? This is why our new movement is called social patriotic also. Why should I, especially with such beliefs, renounce the organization and the many decent people with whom I have long been connected? When I formed this party, it was called Communists for Democracy—the CPSU still operated at that time, and joining my party was not without danger for officials. I was able to attract the thinking, constructive communists at that time. And this organization was not formed within the framework of the Sadovoy Ring at some buffet supper, it was created in the regions. I should renounce these people? Under no circumstances. And I would note that, as distinct from many of the present "stern patriots" who have in one way or another served the ruling party, I was expelled from the CPSU at that time for having formed my own party. This was before the events of 1991 even, when all began to throw away their party cards together....

The intention was to create a popular party acting from positions of social justice. Shortly after we changed our name to People's Party. After I had left prison, it was proposed by a majority at the congress that the party change its name to social democratic, retaining the word "people's." That is, we have always taken as the political basis of the party social-moral and patriotic aspects— this is what is invested in our understanding of social democracy. For this reason the designation "social democratic" should not necessarily be interpreted in a Western spirit. Especially since in recent years both I and the party have accomplished a considerable evolution of a return to the Russian roots of social patriotism. This was not wobbling, as some people believe, but a natural growth process. We are all learning something, deriving lessons from what is happening....

[Nazarov] Nonetheless, not all of the party consented to this evolution, evidently? Part of the leadership headed by Lipitskiy split off, unwilling to call themselves patriots. Doubts also concerning the present local structures of the RSDNP [Russian Social Democratic People's Party], on which Derzhava is being built in the majority of regions, are now being heard from the regional patriotic organizations—how consciously do they accept the national-Orthodox ideology reflected in Derzhava's program documents and in your books? This is, after all, an entirely new philosophical level. Has everyone been up to it? Specifically, many people have noted that at the Derzhava congress one lady delegate reprimanded you very emotionally for Orthodoxy, and her speech attracted considerable applause. Do you not see difficulties here, when in the regions Derzhava will be joined by Orthodox people who take as their reference point your program documents, but who will encounter organizers of a different spirit?

[Rutskoy] We all need to work on ourselves, of course, and fill in the gaps in our knowledge—which is what I insistently advise members of the Social Democratic Party also. But not all, unfortunately, understand that we need to aspire to this, whence such speeches. But we need to display tolerance of one another, not beat one another over the head, if some people have not

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yet arrived at an Orthodox philosophy. This is a very delicate, evolutionary matter. There is no ready-made 100 percent Orthodox people—our task is to reconstitute it. Currently, however, we are all united primarily by patriotism and an endeavor to change the situation in the country. For this reason disagreements at this stage are natural, but the main thing is unity for the sake of victory, for which we have the blessing of Metropolitan John of St. Petersburg.

[Nazarov] How do you view the call of the newspaper ZAVTRA for unification with Zyuganov and Zhirinovskiy? With Zhirinovskiy, this is not serious, of course: who would want to disgrace himself.... But some people are sincerely puzzled as to why Derzhava does not agree to an alliance with the communists, after all, they also are patriots now....

[Rutskoy] The Communist Party has its range of influence on the electorate, we have ours. Let it be this way. At the same time considerable numbers of the communist electorate, which are displaying an interest in Derzhava's program documents and political position, are in sympathy with us. Fortunately, many of them now understand what has happened and what is happening to the country.... For example, who back in the 1920's hacked up our united state into national republics and in deference to what idea? From where was Marxism imported into Russia, like the ideology of Yeltsin's reforms? It is not hard for me to persuade the communist rank and file that we are a great people, that we have our own thousand-year historical path and our own way of life, to which we need to return, and that there is no other way. We should not measure all communists by the same yardstick—this would be unjust. The ordinary party members need to be distinguished from those who deformed the country, who carried out the security police terror and destroyed the best part of Russian society, and who consigned Orthodoxy to outrages. We should be clearly aware that the present ordinary party members served their country under the conditions that prevailed at that time: defended their motherland in the Patriotic War, built new cities and plants, conquered the virgin land and space.... For me these people are my compatriots, and I will always find mutual understanding with such communists. Unification with their functionaries is another matter, a different approach is needed here.

October of 1993 showed who's who. I do not want to give a description of Zyuganov, Zhirinovskiy, Skokov, Lapshin, and many others.... God is their judge. October of 1993 convinced me that a more serious attitude toward cooperation, political cooperation particularly, needs to be adopted, to avoid tragedy. I recall that we were all talking at that time about cooperation, about a common purpose, about a common enemy.... And when the country needed to be raised to an all-Russian strike to halt the tyranny and prevent bloodshed, what did the Communist Party, more precisely, its leader, do? He appeared on television, called for calm, said there should be no demonstrations, no strikes.... This was on the 2d, and the blood of the defenders of the power of the people was being shed on the 3d. Zhirinovskiy—he altogether openly supported Yeltsin, declaring that between "reds" and "pinks" he chose the less red, that is, he supported the president. Skokov at that time hid in his burrow and did not peep out until April 1995. Sterligov disappeared on 23 September, and his people brought his newspaper to the barricades— with criticism not of the actions of Yeltsin but of Shafarevich for some reason or other....

So you draw the conclusion as to whom we should unite with....

[Nazarov] I believe that in the course of the election campaign you will be hearing many more accusations. The authorities will certainly have fabricated much compromising television material from the October days, and the monopoly on the news media will not allow you the right to respond. Or the truth will emerge too late—as with the "trust agreement" case. The voter, however, is, unfortunately, a person who is uninitiated in such machinations. How do you hope to overcome this serious obstacle?

[Rutskoy] It is easy to accuse after the fact those of us who stayed in the House of Soviets to the end: They did this wrong, they did that wrong. Let the accusers try to spend if only one day in my shoes, under the most tense barricade conditions....

I do not wish to justify myself. I bear some of the blame also. Whoever does nothing never makes a mistake. I acknowledge my blame and will never renounce it. But I am opposed to a person being indiscriminately humiliated and judged merely on account of people having watched Yeltsin's television and having failed to grasp the essence of what was happening. I am a candid individual and would like to see others being the same. Let any of those whom I have named here tell me to my face where I acted like a coward.

I had been fighting these authorities since November 1991. Having learned of the Belovezha pact, which was prepared in secret from me, I strongly opposed it. I did not vote for its ratification on 12 December, but the communist faction headed by Rybkin voted "aye." And let us be precise: If Rutskoy is "straining after power," as some people write, why at that time, as the No. 2 in the state and having all the privileges, did I decline to take part in the doings of the lords? All because I

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could not agree with the ruin of the fatherland and the humiliation of the people.

The people are my support. And not having access to television, I myself am going to the people and traveling around the regions, hoping to be able to arouse their self-awareness.... Even if this takes several years, I will continue, all the same, to fight for the revival of great-power Russia in its natural historical borders and for the right of the people to live a dignified life in a unified state.

Statute on Information Security Systems Ratified

MM0607141395 Moscow ROSSIYSKIYE VESTI in Russian 5 Jul 95 p 1

[Unattributed report under the "In the Corridors of Power" rubric: "Certification. Secrets Must Meet Standards"]

[FBIS Translated Text] The "Statute on the Certification of Information Protection Means" has been ratified. Technical, cryptographic, program, and other means designed to protect information constituting a state secret are liable to compulsory certification.

Military Issues

Defense Minister Grachev Warns of Dudayev Buildup

MM0707112995 Moscow KRASNAYA ZVEZDA in Russian 7 Jul 95 p 1

[Report by Aleksandr Pelts: "Work of Russian Federation Defense Minister in Moscow Air Defense District"]

[FBIS Translated Text] Over the last few days KRASNAYA ZVEZDA has written about the inspection tour that Defense Minister Army General Pavel Grachev has been making of antimissile and air defense units. The minister is continuing his work among the troops. We have already reported on the strictly military and military- technical aspects of his work. Nevertheless, answering journalists' questions, Army Gen. Pavel Grachev also broached other matters of concern to society pertaining to the life and activity of Russian troops.

Needless to say, the problem of a settlement in Chechnya is the primary concern. The minister stressed that he takes a positive view of the continuing peace talks in Groznyy. And he would very much like them to be crowned with success. That is his fundamental stance. However, he voiced concern at the obvious fact that Dudayev's armed formations are using the respite in hostilities to regroup and build up their forces and to swell stocks of munitions and food. Why is this happening? The question has, so to speak, remained unanswered. Another major problem in the Chechnya peace settlement is the observance of the moratorium on combat operations. The minister noted that the positions held by units of the combined group of federal troops are being bombarded on dozens of occasions. The personnel are taking casualties. And if there has been retaliatory fire, it is only in those cases where the troops have come under renewed attack from bandits or further bombardment. Army Gen. Pavel Grachev believes that the success of future talks will obviously be closely linked with the Dudayev formations' unconditional observance of the moratorium.

The minister also spoke about the reorganization of the former 14th Army stationed in the Dniester region. He noted that a group of Russian troops has been stationed here since 1 July. Major General Valeriy Yevnevich completed the takeover and has begun to perform his duties. He has met with the leadership and inhabitants of the Dniester region, who are naturally worried about their future in connection with the reform.

The army general went on to say that the process of removing military and technical property and some munitions from the Dniester region is beginning along with the withdrawal of certain units and subunits, but that these moves do not affect the group of Russian troops' level of combat readiness or the safekeeping of weapons. Moreover, mindful of the need for the reliable protection and safekeeping of the weapons in the former army's dumps, a reinforced motorized rifle company will shortly be arriving in the Dniester region from Russia. Its main task is to ensure the reliable protection and, if necessary, defense of the most important military installations in the Russian troops' basing area.

Obviously there are still certain groups in the Dniester region that would like to keep the troops and civilian inhabitants in fear of a resumption of the war. In particular Pavel Grachev linked this to the recent attempt on the life of the Tiraspol district commandant.

The defense minister also broached questions of Russia's international military cooperation. He said that in September and October it is intended to hold joint Russian-U.S. exercises like those held at the Totskiy test site. The first will be held in the United States and will be devoted to rehearsing matters pertaining to peacekeeping activity. The second will involve Pacific Fleet forces and will be held off Hawaii. It will commemorate the end of World War II.

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Grachev: 30,000 Soldiers Guard Moscow Streets

LD0607143495 Moscow INTERFAX in English 1234 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (INTERFAX) — About 30,000 military servicemen are engaged in policing Moscow streets and guarding vital installations, Russia's Defense Minister Pavel Grachev told INTERFAX Thursday.

According to Grachev, about 15,000 servicemen are despatched daily to augment law-enforcement bodies.

Grachev noted that officers were unsatisfied with the fact that they were guarding metro stations or "some manhole cover." "Of course, it is not the army's business to guard installations of this kind," he added.

Grachev said he will soon "adjust the issue" with Moscow Mayor Yuriy Luzhkov. "I know the situation in the country and understand that the interior bodies alone cannot ensure the reliable protection and defense of numerous installations. That is why the troops must be concentrated on the vital state and commercial facilities with the aim of guarding and possibly defending them," he emphasized.

Government Backs Chemical Arms Destruction Bill

MK0707085095 Moscow SEGODNYA in Russian 7 Jul 95 p 2

[Report by Svetlana Lolayeva under the "Arms" rubric: "Government Intends To Destroy All Chemical Weapons. Corresponding Program Will Cost Treasury $5 Billion"]

[FBIS Translated Text] Yesterday the government virtually approved a draft federal law "On the Destruction of Chemical Weapons," submitted for consideration. In the words of Pavel Syutkin, chairman of the Committee on Conventional Problems of Chemical and Biological Weapons under the Russian Federation president, who presented the draft law, the need to pass such a draft law had become obvious during the work on a federal program of chemical weapons destruction which calls for the fulfillment of the international convention Russia signed in 1993.

The authorities and population of the regions where it is planned to get rid of stockpiles of chemical weapons insist that a legislative act be passed which would not only regulate the very process of chemical arms destruction, but would also guarantee and provide for social protection for both the specialists working at the facilities and the population. It is proclaimed for the first time in the draft that all stockpiles of chemical weapons are subject to destruction. In Mr. Syutkin's words, this is not directly connected with the convention since the destruction of chemical weapons is not only an international but also an internal problem, whereas the passing of the law would make for a speedy ratification of the convention as well as for expediting the process of selecting regions where the weapons will be destroyed — and for lower social tensions in these regions. As Pavel Syutkin said, this is the first law on chemical disarmament. Work is currently in progress on two more draft laws — on social protection for citizens working to scrap the arms, and on mandatory insurance of citizens against accidents at chemical weapons storage and destruction facilities.

The final law in this series is supposed to be on a manner in which international chemical weapons destruction commitments should be fulfilled. Such a law, in the opinion of the conventional problems committee chairman, should be considered by the Federal Assembly concurrently with the question of ratification of the convention. The draft law presented at yesterday's government sitting will be put before the government after fine-tuning for one or two weeks before it is put before the president. Mr. Syutkin thinks the draft law could be discussed in the State Duma by its current deputies. The main thing is to put before the Federal Assembly quickly a program of chemical weapons destruction indicating a concrete time schedule and costs, which would enable the deputies to ratify the international convention. Russia's chemical weapons stockpiles total 40,000 tonnes of toxic agents stored in seven Defense Ministry arsenals sited in six regions. The stockpile destruction program costs about 25 trillion rubles in January prices. Another $500 million would have to be spent on receiving international inspection teams in line with the text of the international convention.

Federal Assembly

Duma Opposes Call To End Groznyy Negotiations

LD0707110395 Moscow INTERFAX in English 0929 GMT 7 Jul 95

[FBIS Transcribed Text] MOSCOW, July 7, (INTERFAX) — The Russian State Duma has turned down Vladimir Zhirinovskiy's initiative for breaking off the Groznyy-based peace negotiations. Only 86 lawmakers voted in favor of the move, 226 votes were needed for it to pass. Seventy-one lawmakers voted against it and two abstained. The rest failed to take part in the voting at all.

The leader of the Russian Liberal-Democratic Party demanded that the federal government "put an immediate end to the negotiations with the bandits, resume combat action and refrain from interfering in moves by

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the power ministries, which bear responsibility for the restoration of law and order in Chechnya."

Rybkin Voices Duma Concerns on Russians Abroad

LD0607210495 Moscow ITAR-TASS World Service in Russian 1545 GMT 6 Jul 95

[FBIS Translated Text] Moscow, 6 July — "The disintegration of the USSR has resulted in a situation where over 25 million Russians have found themselves outside their smaller and greater homeland and it has created dangerous preconditions for shaping in the consciousness of Russians a syndrome of a divided nation with all the ensuing consequences," Ivan Rybkin, chairman of the Russian State Duma, stressed in his address to the congress of authorized representatives of foreign Russian communities, organizations, and associations held in Moscow today. ITAR-TASS learned ofthis from the State Duma press service.

Ivan Rybkin voiced the Russian parliament's serious concern about the situation that had taken shape and remarked that deputies were vigorously looking for solutions to the problems that had accumulated. Also, they were coming out against discrimination and in defense of their compatriots in the CIS and Baltics. In connection with this, the State Duma's chairman singled out the three more important directions in Russia's activity — political and cultural support and permanent links with compatriots.

Rybkin expressed hope that the council of compatriots set up under the State Duma would work efficiently in these directions.

Duma's Medvedev Airs Criticisms of Central Bank

MM0707080895 Moscow IZVESTIYA in Russian 5 Jul 95 p 1

[Report by Ivan Zhagel: "Struggle Intensifies Over Central Bank Chairman"]

[FBIS Translated Text] It is planned that on 5 July the question of the approval of Tatyana Paramonova as chairman of the Central Bank, which has clearly exacerbated the struggle over what is in many ways the key post in our economy, will be examined again in the State Duma.

Two days before the planned vote, Pavel Medvedev, chairman of the Duma subcommittee on bank legislation, summoned journalists and told them that the deputies' decisions could be affected by their dissatisfaction with the Central Bank's passivity in protecting individuals' deposits in commercial banks.

The Duma subcommittee chairman accused the Central Bank of not using what opportunities it has to save banks in difficulties and their clients' money. These opportunities permit the adoption of a wide range of measures, up to and including the appointment of temporary bank managers — which does not actually happen. The Central Bank takes an extremely simplistic view, P. Medvedev believes, of the abrupt strengthening of the ruble. This process is seen as an unqualified success, although it has meant that many citizens' savings, made in foreign currency because of the economic instability, have suffered significantly.

The people most often mentioned in the Duma lobbies as candidates for Central Bank chairman are Yakov Dubenetskiy, current chairman of the Russian Industrial Construction Bank, and Aleksandr Livshits, the president's economic adviser. But the existing laws allow T. Paramonova, in the event of the Duma's failure to approve her, to remain as long as she likes as acting chairman of the Central Bank.

Russia's Choice Opposes Impeachment of President

LD0607150595 Moscow ITAR-TASS in English 1418 GMT 6 Jul 95

[By Pavel Kuznetsov]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — The coordinating committee of Russia's Choice faction of the State Duma, the lower house of parliament, circulated a statement on Thursday in connection with the discussion of the President's impeachment scheduled by the Duma for July 7.

Russia's Choice states that "it has been and continues to be categorically against any dangerous and unnecessary shakeups of the political and social soil in Russia."

The issue of impeachment is raised by the same forces which "only recently with great "success" raised the issue of no confidence in the government," the document says.

Their purpose is clear — to stir up a noisy political scandal in the very beginning of the election campaign, Russia's Choice believes.

The political philosophy of impeachment organizers is obvious: the worse, the better. The objective of these forces is to provoke tension: "the closer the elections, the louder become the scandals," the statement says.

The idea of impeachment was advanced by Russia's Communist Party which started gathering the required 150 signatures of deputies from June 21. The text of the accusation against the head of state, signed by 165 deputies, has already been submitted to the Duma Council, as well as the draft resolution on

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forming a commission for investigating the lawfulness of accusations against the President.

Duma Votes To Consider Impeachment Commission

LD0707083395 Moscow ITAR-TASS in English 0753 GMT 7 Jul 95

[By Pavel Kuznetsov]

[FBIS Transcribed Text] MOSCOW July 7 (ITAR-TASS) — The Russian State Duma voted 184 to 36 on Friday in favour of considering the issue to set up a commission for impeaching President Boris Yeltsin.

The issue was included by the Duma council on Thursday into the reserve agenda of the session, but lawmakers voted to make it the first item of the Friday working agenda.

The impeachment motion was initiated by the Communist party which collected 165 signatures of lawmakers in support of its proposal.

Debate Postponed Until 12 Jul

LD0707092195 Moscow ITAR-TASS in English 0912 GMT 7 Jul 95

[By Pavel Kuznetsov]

[FBIS Transcribed Text] MOSCOW July 7 (ITAR-TASS) — The Russian State Duma decided Friday to postpone until Wednesday, July 12, the debate on creating a commission to impeach President Boris Yeltsin.

Earlier in the day the lower house voted 184 to 36 in favour of including the issue as the first item of the Friday agenda.

The impeachment motion was initiated by the Communist party which collected 165 signatures of lawmakers in support of its proposal.

Kozyrev Reports on Foreign Ministry 'Brain Drain'

LD0607192495 Moscow ITAR-TASS in English 1740 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, JULY 6, RIA NOVOSTI — Addressing the Federation Council at the invitation of the deputies today, Foreign Minister Andrey Kozyrev not only informed the deputies of the foreign policy activities pursued by Russia, but also touched upon the difficulties confronted by his ministry. According to Kozyrev, many foreign ministry employees are gradually leaving for commercial entities where typists can make much more than the minister himself. He also regretted that top-notch professionals were leaving the ministry. Unless the brain drain is stopped, the ministry will lose all of its diplomatic personnel, the minister said.

Kozyrev asked the Federation Council to help the foreign ministry solve its financial problem which he described as a "national security problem".

Regional Affairs

Russian-Chechen Peace Talks Continue in Groznyy

'Deadlock' Said To Persist

MM0607151595 Moscow IZVESTIYA in Russian 6 Jul 95 p 1

[Report by journalist Igor Rotar: "Impossible To Agree With Dudayev, Members of Russian Delegation to Groznyy Talks Believe"]

[FBIS Translated Text] Groznyy-Moscow — On 5 July Prime Minister Viktor Chernomyrdin met with members of the Russian Federation Government delegation to the talks on a peace settlement in Chechnya (V. Mikhaylov, A. Volskiy, N. Semenov, and A. Kulikov), who briefed him on the progress of the talks. After this Chernomyrdin headed for the Kremlin alone for a one-on-one conversation with the country's president in order to finally coordinate Russia's position. When this issue was signed to press the substance of their conversation was still unknown. At the same time on 5 July Mikhaylov and Volskiy gave a news conference. It is reliably known that the meetings had stressed that during the talks the option of going outside the framework of the Russian Federation Constitution had been ruled out and the question of a possible change in Chechnya's status must not be raised.

Groznyy now awaits the return of the Russian Government delegation from Moscow for the fourth round of talks with Dzhokhar Dudayev's representatives. The talks between the two warring sides, which have been going on for over a month now, have effectively failed to break the deadlock.

Despite the fact that both delegations regularly make optimistic statements to the press, de facto the talks' participants have simply failed to achieve real progress on any block of questions under discussion.

The situation is becoming increasingly confused, and now it is no longer completely clear which political forces the talks' participants are representing. The correctness of the viewpoint quoted in IZVESTIYA 5 July of Salambek Khadzhiyev, head of the government of national revival, that "what is going on in Chechnya is not a war between Russian soldiers and Dudayev's

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Chechen volunteer militia but a struggle between conflicting Russian political forces" is being confirmed by new facts.

Thus, the Russian delegation has learned that Dudayev is also holding parallel talks with St. Petersburg Mayor Anatoliy Sobchak. The Russian representatives were also surprised by the extreme dissatisfaction expressed by Dudayev over Sergey Stepashin's dismissal. Finally, statements by the supporters of Chechen independence that progress will be achieved in the talks after the restoration of the Soviet Union are putting Moscow's representatives in a complete state of shock.

"You know, previously I believed that the exaggerated rumors that Usman Imayev, leader of Dudayev's delegation, is an FSB [Federal Security Service] agent were a blatant canard, but now I am simply confused!" — a bewildered member of the Russian delegation confided in me.

But despite the fact that in the current situation Moscow's envoys do not have a completely clear idea of whom they should actually be holding talks with, they have not lost their optimism. In the opinion of Russian delegation members Dudayev's participation in the coming elections is impossible. "The Army that fought in Chechnya would simply mutiny. Officers and men will not be able to reconcile themselves to the fact that they shed their blood in vain. When we signed the truce the hardest thing was to obtain the military's consent. What truce — fight to the end!, the generals cried," I was told by a member of the Russian delegation.

Following the call on Dudayev by Arkadiy Volskiy, deputy leader of the Russian delegation, it became clear that it is practically impossible to agree with the rebel president. According to Volskiy, Dudayev is categorically opposed to leaving for a third country. In this situation it is becoming increasingly acceptable to the Russian delegation to try to agree with Dudayev's current representatives, bypassing Dudayev. Especially as the imposing nature of the current composition of Dudayev's delegation — which, incidentally, has been approved by the president himself and which includes the chairman of parliament, general prosecutor, armed forces chief of staff, and minister of culture — to some extent confirms the legitimacy of such a separate agreement.

But such a plan does have substantial drawbacks. In the Russian representatives' opinion Dudayev no longer has authority on the territory that is not controlled by federal forces and all decisions are being made by people from his inner circle. In essence the living symbol of Chechen resistance is a king without power. At the same time, for the real leaders of the Chechen rebels to dissociate themselves from Dudayev would be an act comparable to desecrating the colors. It could even be surmised that the natural (?) demise of Chechnya's first president would bring a sigh of relief not only in Kremlin offices.

Talks Aim To Prevent 'Civil War'

LD0607160995 Moscow ITAR-TASS in English 1513 GMT 6 Jul 95

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — Talks in Chechnya aim to "prevent civil war in the Northern Caucasus and southern Russia", Russian Prime Minister Viktor Chernomyrdin said on Thursday. Chernomyrdin also said that when taking decisions on Chechnya, Russia relied and would rely on their compliance with the Russian Constitution.

Chernomyrdin spoke at the Ministry for Nationalities and Regional Policy when presenting its new chief Vyacheslav Mikhaylov.

The prime minister referred to the crisis in Chechnya, scarce supplies to remote areas in the Russian Far North and the separation of power between federal and regional authorities as "the most important (problems) in the field of Russia's national and regional policy".

"The basic principle of decision-making on Chechnya-related matters is and will be these decisions compliance with the Constitution of the Russian Federation," Chernomyrdin stressed.

Touching upon federal policy towards regions, he said that "several treaties with Russian regions are currently in preparation, and this involves not only republics but specific autonomies as well."

The premier also said that a government commission would shortly come to Russia's northernmost areas to assess the situation with supplies of goods basing on personal observations.

Vyacheslav Mikhaylov appointed minister for national and regional matters on July 5 said he did not plan to change guidelines of national policy which had been set forth by his predecessor Nikolay Yegorov. He said he would not refuse from cooperating with Yegorov because of "his vast working experience and knowledge of Russian regions."

After meeting with ministerial employees Mikhaylov left for Chechen capital Groznyy to continue talks on peace settlement. Tass learnt that Mikhaylov left for Chechnya together with presidential aide Mikhail Krasnov, also member of the Russian official delegation at Chechen talks.

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Mikhaylov was appointed by decree of Russian President Boris Yeltsin to replace Nikolay Yegorov sacked together with the so-called "power ministers" on June 30.

Yeltsin 'Might' Amend Troops Decree

LD0607152395 Moscow ITAR-TASS in English 1506 GMT 6 Jul 95

[By Andrey Shtorkh]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — President Boris Yeltsin "might introduce certain amendments" to his controversial decree which orders a permanent deployment of Army troops in Chechnya.

Well-informed sources in the Kremlin told ITAR-TASS Thursday that the decree "might effect frontier troops and units of Interior troops" in the region.

The sources did not specify whether there would be only Frontier and Interior troops in the rebel republic which borders on Georgia or whether they would join the Army units. The latter variant is sure to cause additional protests from Chechen negotiators.

Meanwhile, in Groznyy Russian negotiator at Chechen peace talks Arkadiy Volskiy said that the decree would be amended, apparently meaning that at least some items which irritate the Chechen side would be withdrawn.

"Before our departure for Groznyy we received assurances that the presidential decree would be amended", Volskiy told ITAR-TASS.

The Russia's Democratic Choice party on Thursday branded the decree as "a menace to peace process in Chechnya".

The party's statement signed by its leader, ex-premier Yegor Gaydar, reads that the issue of Russia's military presence in Chechnya should be solved at the negotiating table and the status of Russian troops should not be determined before peace talks are over. Otherwise it would mean "a neglect of the negotiations and make Russian soldiers hostages of a political game".

The decree defining a status of Russian troops permanently deployed in Chechnya was signed by President Yeltsin on Tuesday.

Troops Edict To Be 'Altered'

MM0607201495 Moscow ROSSIYSKIYE VESTI in Russian 7 Jul 95 p 1

[Report by Lyubov Tsukanova: "Third Round"]

[FBIS Translated Text] The talks on a peace settlement of the Chechen crisis resumed in Groznyy yesterday between a Russian Federation government delegation and Dudayev's representatives.

Taking a break in the course of the talks on the political block of questions, the members of the government delegation met in Moscow with Premier Viktor Chernomyrdin, who then agreed with the Russian president all the questions put by the delegation. In the opinion of the delegation members, the edict signed by the president on the stationing of separate Russian Army subunits on the territory of the Chechen Republic represents the biggest problem for future actions. The delegation members declared that those who prepared the edict disregarded the agreement on military questions already reached at the talks, and this undermines the Chechen side's confidence in the powers of the government delegation and, according to Arkadiy Volskiy, "could reduce to naught the results of the talks." The delegation members told journalists that they had received assurances that the edict would be altered, and it was only thanks to this that the possibility of resuming the talks emerged.

The third round of talks embraces the completion and the signing of a block of political accords and will make approaches to the economic block of questions. The accords on disarmament reached earlier have to be implemented in practice. This is one of the key points of the peace settlement, on which the prospects for reconciling the warring Chechen sides largely depend, so ROSSIYSKIYE VESTI's correspondent was told by Nikolay Semenov, leader of the territorial administration of federal organs of executive power in the Chechen Republic.

Delegation leader Vyacheslav Mikhaylov reported that a mechanism has been worked out for the creation and operation of a special commission to oversee the fulfillment of the accords relating to the military block (disarmament of the gunmen, separation of the warring sides, observance of the moratorium), as well as a commission to oversee the preparation and holding of free elections. Vyacheslav Mikhaylov pointed out that, despite the difficulties besetting the talks, despite the obstacles that are arising (in the form of violations of the moratorium on hostilities and others), and despite the sides' complaints against each other, the talks are making progress, and the delegation is embarking on the next round confident that compromises, which were not reached earlier, will be reached sooner or later.

It only remains to add that, following the consultations in Moscow, the delegation has been enlarged — it now includes Professor, Dr. of Juridical Sciences Mikhail Krasnov, aide to the Russian Federation president. This will undoubtedly strengthen the legal elaboration of the

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agreements — above all, those concerning fundamental political questions.

Yeltsin Edict 'Premature'

LD0607161195 Moscow ITAR-TASS in English 1537 GMT 6 Jul 95

[By Oleg Artyushin and Sergey Trofimov]

[FBIS Transcribed Text] GROZNYY July 6 (ITAR-TASS) — Chief Chechen negotiator at peace talks in Groznyy Aslan Maskhadov qualified the decree of the Russian President which permanently stations Army troops in Chechnya as "premature" and warned the Kremlin against political mistakes which can break the peace talks in Groznyy.

"At this moment it is very important that political circles avoid any mistakes", he told reporters Thursday and said the decree could have been issued after all military, political and economic issues had been agreed upon. Maskhadov also called to amend certain provisions of the decree, however, he did not elaborate.

"The main task of the talks is to stop the war which does not settle, but aggravates the situation", Maskhadov said adding that, therefore, the military issues are to be raised first and the mechanism of their implementation worked out.

"If we succeed to stop the war, it will be possible to solve any political and economic issues", he said.

Maskhadov admitted that clashes continue "in places of direct engagement of military units of both sides".

Moscow Approves Further Talks

LD0607183995 Moscow Russian Television Network in Russian 1600 GMT 6 Jul 95

[From the "Vesti" newscast]

[FBIS Translated Excerpt] Russia's governmental delegation arrived in Groznyy at noon today, and the third round of talks on settling the military conflict in Chechnya began at 1400 precisely. Correspondents were allowed into the room after three hours of talks.

[Begin recording] [Russian negotiator Arkadiy Volskiy] We acquainted the Chechen side with the new the Russian Government resolution adopted yesterday and in which the government agreed with the results of the first stage of talks and defines agreement on the military bloc of questions. We consider it very important that the government has approved that element guaranteeing our further work. [end recording] [passage omitted]

Today, the Chechen side handed over to the Russian command two Russian servicemen, Oleg Bochkov and Igor Gubachev, who were captured near Shali on 27 June. The Russian delegation will begin talks tomorrow with its full complement at 1000.

Volskiy Decries Basayev Threats

LD0707074195 Moscow ITAR-TASS in English 0727 GMT 7 Jul 95

[FBIS Transcribed Text] GROZNYY July 7 (ITAR-TASS) - A Russian negotiator at peace talks in Chechnya denounced threats of terrorist Shamil Basayev to use biological and radioactive weapons against Russia if peace talks in Grozny fail, while the head of the Chechen delegation to the talks said he had heard "nothing of the kind".

Arkadiy Volskiy qualified Basayev's threats as "an attempt to blackmail the talks".

"Such a statement is detrimental for the Chechen people", he stressed.

Basayev, who headed an attack on the Russian town of Budennovsk where his militants killed over a hundred people and took over a thousand hostage, claimed in an interview with an AFP correspondent that he had radioactive substances and biological weapons.

He threatened to spread uranium in Moscow and thus kill the city. He also promised attacks on Russian military and state objects.

Also on Thursday government spokesman Viktor Konnov qualified the threats as a "bluff".

Russians Hand Over 4 POW's

LD0707074895 Moscow ITAR-TASS in English 0718 GMT 7 Jul 95

[By Oleg Artyushin]

[FBIS Transcribed Text] GROZNYY July 7 (ITAR-TASS) — The Russian delegation at peace talks in Groznyy handed over to the Chechen party Friday four POWs who were kept on the Russian territory and exchanged complete lists of people in custody.

The handover took place in the OSCE [Organization for Security and Cooperation in Europe] mission in Groznyy and was the response for the release by Chechens Wednesday of two Russian POWS — non-commissioned officer Igor Gubachev and private Oleg Bochkov — who were captured on June 27.

After the handover the parties exchanged complete lists of POWs.

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Mine Explodes Near Talks Site

LD0707075295 Moscow ITAR-TASS in English 0726 GMT 7 Jul 95

[By Oleg Artyushin and Sergey Trofimov]

[FBIS Transcribed Text] GROZNYY July 7 (ITAR-TASS) — An anti-tank mine exploded not far from the premises of peace negotiations in Groznyy on Thursday. A passenger car and a residential house were destroyed. There is loss of life, ITAR-TASS learnt on Friday.

According to military sources, it was a delay-action mine of the Russian make. Several automobiles, including an armoured personnel carrier, passed the mine before it explosed.

Sapers worked on Friday morning in the territory adjoining the OSCE [Organization for Security and Cooperation] building where the talks are held.

Moscow Accused of Violating Cease-Fire

LD0707105995 Moscow INTERFAX in English 0929 GMT 7 Jul 95

[FBIS Transcribed Text] GROZNYY, July 7 (INTERFAX) — The Chechen delegation to the Groznyy talks blamed Russia for violating the ceasefire agreement Friday.

According to a statement given to an INTERFAX correspondent by a member of the delegation, Akhyad Idigov, "since the first day of talks in Groznyy, the guarantee against military operations and bombarding Chechnya's territory given by Chernomyrdin's government has been violated."

The document stipulates that "Russian politicians and their troops continue repressions and military operations against the Chechen people."

"The agreement reached on the main package of military issues thanks to the efforts of the delegation with cooperation by the OSCE [Organization for Security and Cooperation in Europe] mission - disarmament of militants, exchange of prisoners of war, separation of troops and pull-out from Chechnya - is delayed by Russia's fault," according to the statement.

"Without changing its ethnic policy, Russia will not be able to influence the situation in Chechnya," the document concluded.

Federal Commander in Chechnya Replaced

LD0707083695 Moscow ITAR-TASS in English 0802 GMT 7 Jul 95

[By Oleg Artyushin and Sergey Trofimov]

[FBIS Transcribed Text] GROZNYY July 7 (ITAR-TASS) — Russian military commander in Chechnya Anatoliy Kulikov, who has been appointed Russian Interior Minister, left Groznyy for Moscow Friday to occupy his new post.

He was replaced by Lieutenant General Anatoliy Shirokov who had been in command of Interior forces in Chechnya until now.

Shirokov is acting commander of the Russian troops in Chechnya so far.

Russian Troops Accused of Looting, Killing Chechen Farmers

LD0707095795 Moscow ITAR-TASS in English 0926 GMT 7 Jul 95

[By Oleg Artyushin and Sergey Trofimov]

[FBIS Transcribed Text] GROZNYY July 7 (ITAR-TASS) — A group of armed men dressed in Russian military uniform attacked a Chechen state farm near the Severnyy airport of Groznyy overnight, killed two and wounded three of its employees and looted the farm called "Rodina" (Motherland).

Chechen representatives accused Russian troops of the attack and said four suspects had been detained and had already confessed to the crime.

However, Russian Interior minister Anatoliy Kulikov told Tass Friday a special commission was set up to investigate the attack.

A spokesman of the Chechen information ministry told reporters the identification card of a Russian servicemen was found at the site of the incident.

"Those arrested confessed to committing the crime", he said adding that the soldiers are being kept in a district police precinct in Groznyy.

The spokesman invited reporters to visit the site of the attack and meet the suspects.

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Economic Issues

Reaction to, Commentary on Ruble Rate Decision

Chernomyrdin on Currency Policy

LD0607133195 Moscow Russian Public Television First Channel Network in Russian 1100 GMT 6 Jul 95

[From the "Novosti" newscast]

[FBIS Translated Text] The issue relating to the work of the Russian customs committee has been put forth today as the main issue for a session of the Russian Government. Prior to discussing this issue, Viktor Chernomyrdin deemed it necessary to comment on the joint statement by the government and the Russian Central Bank on the issue of the currency policy. In particular, Viktor Chernomyrdin said:

[Begin Chernomyrdin recording] The process of our national currency — the Russian ruble — becoming stronger has been made clear. In April alone, Russian currency rose by almost 10 percent against the dollar. In May and June, this tendency was preserved. The need has appeared to strictly govern the speed at which the dollar is being ousted from the Russian economy. If this is not done, then we run the risk of coming up rather swiftly to exchange rate values, beyond which significant damage will be inflicted on Russian exporters, which, of course, should not be allowed.

To make everything in this issue crystal clear, under our conditions every 10 percent rise in the exchange rate of the national currency means almost a 4 percent drop in the volume of exports. Having established the borders for the fluctuations of the ruble exchange rate, the government and the bank will help to stabilize and predict the country's own currency market. This should enhance trust in the program of financial stabilization and have influence on inflation expectations. This measure will directly help to slow down a rise in prices in the last six months of this year. [end recording]

Ruble Rate Agreed With IMF

LD0607200395 Moscow ITAR-TASS in English 1828 GMT 6 Jul 95

[By Konstantin Pribytkov]

[FBIS Transcribed Text] GENEVA, July 6 (ITAR-TASS) — Measures taken by the Russian government to restrict exchange rate fluctuations of the ruble were agreed to with the Intenrational Monetary Fund (IMF), Executive Director Michel Camdessus said in an interview with ITAR-TASS today. He is participanting the session of the U.N. Economic and Social Council underway in Geneva.

By taking this decision, the Russian government has fulfilled its intention to consolidate stabilizing the economy and intensify the fight against inflation. It was not done in an arbitrary manner, but by strengthening a programme which we are attentively watching, the IMF chief said. According to him, actions of the Russian authorities, who have precedents in the world, have good chances of success.

The IMF executive-director is confident that the Russian authorities will do everything possible in order to confirm the correctness of the decision made in the sphere of currency by means of a strong economic policy.

Rate May Create Export Problems

LD0607145595 Moscow ITAR-TASS in English 1417 GMT 6 Jul 95

[By Vladimir Zadera]

[FBIS Transcribed Text] MOSCOW, July 6 (ITAR-TASS) — "Introduction of a rouble rate band is a wise, correct, and vitally necessary measure," ITAR-TASS was told by Mikhail Delyagin, Head of the Economic Section of the Presidential Analytical Department. "It ensures middle-term certainty in the situation and will exert a stabilising effect on the productive sector of the national economy."

The analyst believes that the current hard currency reserves of the Russian Central Bank, estimated at ten billion U.S. dollars, make possible a sufficiently guaranteed stabilising effect on the exchange rate of the dollar without the risk of eroding these reserves. The main problems, engendered by the introduction of the rouble rate band, are linked with the negative influence of the expected exchange rate on the position of Russian exporters, which may occur in September: whereas today the bottom exchange limit for medium profitability export goods equals to about 4.300 roubles per dollar, on October 1st it can be expected to grow to 5,100, given a five per cent average monthly inflation. Export effectiveness will drop even more if the inflation figures become higher.

Delyagin believes that the participants of the monetary market will react "absolutely calmly" to the given decision: the urge to get rid of dollars will continue, but at a more moderate pace. Participants of hard currency futures deals will suffer most from the new rules.

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Central Bank Decision Criticized

MM0707110195 Moscow IZVESTIYA in Russian 7 Jul 95 p 2

[Article by Andrey Illarionov of the Economic Analysis Institute: "This Kind of Exchange-Rate 'Fix' Will Not Achieve Financial Stabilization"]

[FBIS Translated Text] The setting of a "ruble fluctuation band" of 4,300-4,900 rubles [R] to the dollar (a fluctuation range of 14 percent) has nothing in common with the introduction of a fixed exchange rate — the necessity and economic possibility of which have been discussed by Russian and foreign economists for the past six months.

Fixed exchange rates are introduced with one very specific aim — to destroy high inflationary expectations, to reduce the pace of money circulation, and, ultimately, to cut inflation. Consequently its indispensable components are, first, a fixed rate at a set level — without any deviation in either direction — and, second, the maintenance of that rate for the longest possible time. In that event a stable exchange rate would indeed act as an in-built stabilizer, a "nominal" anchor, providing all market players with a very important guideline for medium- and longer-term economic planning.

That was the approach taken in Poland, which set a rate of 9,500 zlotys to the dollar on 1 January 1990 and maintained it for almost 18 months. That was the approach taken by Estonia, which set a rate of eight Estonian kroon to the German mark and has maintained it for more than three years now. That was the approach taken by Lithuania, which set a rate of four litai to the dollar in May 1994 and has maintained it for more than a year now. It was a stable exchange rate (without any deviation in either direction) that helped all these countries to overcome high inflationary expectations and cut inflation to 35-43 percent a year.

If the Russian authorities were really striving to achieve financial stabilization, they would do the same. But after six months of intensive public debate and after studying world experience of using a stable currency for the purpose of price stabilization, the authorities have resorted to an approach that will not result in reduced inflation. Why?

The foreign reserves built up by the Central Bank are near to the size of the ruble monetary base, and the size of inflows of foreign short-term capital into Russia simply cannot be compared to Mexican levels. This means that, even from the purely technical standpoint, official foreign reserves are now entirely adequate to beat off any attacks on the ruble and to maintain a fixed exchange rate of around R5,000 to the dollar for around a year.

But after numerous recommendations the Central Bank has not introduced a fixed exchange rate.

The Bank of Russia's exchange-rate policy has led to an artificial devaluation of the ruble in January-April, its revaluation in May-June, and a continuing devaluation in July. Ultimately, it has led to growth in the money supply, the destabilization of the foreign-exchange market, and the maintenance of high inflationary expectations and inflation rates. Average money-supply growth rates in February-June 1995 were running at 10 percent a month compared with 8.3 percent in the last quarter of 1994. The whipping up of inflationary expectations was also promoted by the well-known Central Bank telegram No. 5090 on the withdrawal of cash from circulation, by the organized "leak" from the Central Bank of the news that money-supply growth in April was 25 percent (instead of 14.9 percent in reality), and by the new leak (made by the Central Bank leadership before the end of June and then denied) that money-supply growth in June was 15 percent. The high level of money in circulation is also being promoted by an artificially high Central Bank refinancing rate of 8.3 percent a month in real terms, or 163.2 percent a year.

All this put together demonstrates the brilliant utilization by the Central Bank leadership of all possible economic and noneconomic means of slowing the fall in inflation.

Our correspondent Igor Karpenko reports that First Vice Premier Anatoliy Chubays stated at a press conference that the decision on the ruble fluctuation bands is aimed at ensuring predictability and stability on the foreign exchanges and at helping to curb inflation.

Anatoliy Chubays also announced that the decision was preceded by considerable analytical work and an exchange of views with top specialists in Russia and abroad. The idea was approved by the IMF and supported by President Yeltsin. In Chubays' opinion, restricting exchange-rate fluctuations will benefit not only producers and entrepreneurs, but the entire population as well.

Dollar, Mark Dependency To Continue

MM0707094195 Moscow IZVESTIYA (Ekspertiza section) in Russian 5 Jul 95 p 7

[Article by Vladimir Kosmarskiy and Sergey Smirnov of Russian Federation Economy Ministry Information and Social Technologies Center: "The 'Flight from the

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Dollar' Will Soon End. The Public Demand for Foreign Currency Will Start To Grow in the Very Near Future"]

[FBIS Translated Text] In recent years the U.S. dollar and the German mark have served the Russians as "reserve currencies," making up a sizable proportion of savings. In recent months, however, the population's inclination to keep savings in currency has dropped very sharply — by a factor of 2.4 times — to total 9.4 percent in May compared with 23.1 percent in January of this year.

At the same time the inclination to keep savings in dollars remains higher than for rubles (9.7 percent against 7.3 percent), and the dollar part continues to occupy the leading place in the overall increase in savings at 57 percent.

This attests to the population's confidence in the dollar and the mark. Unfortunately, we cannot speak of growing confidence in the ruble, despite all the invocations. The conversion of dollar savings into rubles has led to an increase in "hot money" in public hands (from 2 percent of monetary incomes in 1994 to 6-7 percent in May 1995).

The way the population uses these funds is also indicative. Following the reduction in retail commodity turnover during the previous five months, in April it started to grow (by 2.1 percent), and in May a veritable consumer boom occurred — commodity turnover increased 15.3 percent! The population rescues its savings by the traditional means of creating reserves and buying commodities for future use.

On the social plane these two indicators — confidence in the ruble and the population's inclination to create reserves — very clearly reflect the population's attitude to the government. The opinion has become widespread that the dollar's fall is the result of manipulation by the government and the Central Bank (no other explanation is possible, because no one can explain why the dollar started to fall so suddenly). This is why we should not expect the population to take a favorable attitude to the new program of "noninflationary" funding of the deficit.

The lines outside currency exchange points attest to a growing public demand for rubles. The commercial banks do not have enough of them, and the selling price of the main hard currencies is falling lower and lower. At the same time, of course, the banks are doing everything to ensure that the margin between their rate and the official trading rate does not, in any case, diminish.

In addition to the depreciation of foreign currency savings, the population is already incurring not just real losses associated with the level of inflation but also nominal losses — taking the time factor into account, the price for acquiring currency ends up higher than the selling price.

Here it is important to take the following into consideration. Social tension can be prevented only if the price of the last currency purchase does not regularly exceed the price for selling it. If we use the quite-well-studied phenomenon of the level of indifference in expenditure (a person takes no notice of variations in expenditure within the range of plus or minus 1 percent of its total magnitude), the permissible margin is 40-50 rubles per dollar. Today, in the overwhelming majority of cases, its level is higher.

It is necessary to explain clearly to people the aims of the policy of building up currency reserves and stabilizing the ruble rate. If the main aim is to confiscate the public's savings, which the government is otherwise unable to touch, then such a stunt could do a great disservice.

One more point of fundamental importance. Whatever its attitude toward the stabilization policy, if it realizes that the government is going to keep rigidly to its chosen course, the public will start to act in a perfectly rational manner.

An example is provided by the stabilization of the Yugoslav dinar. The greatest hyperinflation in world practice, running to hundreds of thousands of percentage points, was halted, in point of fact, by a mere statement — a government announcement of a switch from old to new "hard" dinars. The country's government started making considerably more active use of the national currency. The implementation of this policy for 18 months has already had a positive effect.

To all appearances, the Russian population has not yet come to believe in the advantages of "getting out of dollars." First, there is still no objective base for strengthening the ruble. Second, there is little faith in the consistency of government and Central Bank actions, and somehow the public cannot see or understand any reason for greater confidence.

This means that there will most probably be no mass conversion of foreign currency savings into rubles. In general this is not a bad thing, since the Russian monetary system simply would not stand it. The implementation of the policy of reducing the dollar rate, even for the most part using organized capital and without affecting the currency conversion "snake," has resulted in a trebling of the money supply in the past month.

The public demand for foreign currency will start to grow in the immediate future — the monetary capacity for the creation of reserves is very limited,

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and the population can see no other economic means of protecting its savings.

Although there will be no landslide, as on "Black Tuesday," the dollar rate will also start to rise quickly, because the capacity for holding it down purely by means of emissions is not limitless.

Authorities 'Manipulated' Rate

MM0607150795 Moscow TRUD in Russian 6 Jul 95 p 2

[Article by Doctor of Economic Sciences Valentin Fedorov, vice president of the Russian Union of Industrialists and Entrepreneurs, and Candidate of Economic Sciences Vyacheslav Shirshov, adviser to the Russian Union of Industrialists and Entrepreneurs, under the "Viewpoint" rubric: "A Covert Monetary Reform Has Begun in Russia in the Guise of a Campaign Against the Dollar"]

[FBIS Translated Text] Since the beginning of May, the rate of the dollar against the ruble has fallen faster than the decline in the rate of inflation. Commercial banks and financial structures have suddenly lost interest in dealings in freely convertible currency: Now they are hastily discarding their depreciating currency. Commodity importers are hurriedly replacing the dollar price tags on their goods with ruble tags. The population, which until recently invested 20 percent of its ruble income in the purchase of hard currency, is starting to hold onto its unused rubles.

What is happening to the dollar? Can it be that the government has switched to the foreign currency offensive in an attempt to enhance the ruble's prestige in the internal market, thereby emphasizing the proclaimed successes of financial stabilization in the country? No, the **"dedollarization" of the economy is the result of the actions of the Central Bank and the Finance Ministry designed to replenish the currency and gold reserves that were so recklessly squandered.**

At the beginning of 1995, the Central Bank's hard currency reserves were approximately one-fourth of the amount prescribed by the IMF as one of the conditions for Russia's receipt of a stabilization credit. In January the Central Bank's hard currency reserves were completely wiped out by an upsurge in the seasonal demand for freely convertible currency by the commercial banks and the population. Consequently in February and, in particular, in March the Central Bank worked strenuously to offset the shortfall in its currency reserves by acquiring them in auctions in the Moscow Interbank Currency Exchange [MICE]. This operation to buy up hard currency, primarily dollars, with an exchange rate rising by 2-2.5 percent a week, was equivalent to a non-cash ruble emission. During the first three months of this year the total money supply in circulation rose by 10 percent while the issue of cash fell by 115 percent. Almost the whole increase in the issue of non-cash rubles (approximately 18-20 percent) was used by the Central Bank for operations in the MICE and consequently did not reach the production sphere.

The further boosting of non-cash emission to replenish the Central Bank's hard currency reserves was contrary to the government's idea of rapidly suppressing inflation. Then **the Central Bank decided to gradually force down the rate of the dollar against the ruble.** To that end, it stepped up its demands on the commercial banks' reserves. As a result, the weekly rise in the market rate of the dollar fell by a factor of two to three in April compared with March, and in May the dollar fell by 30-50 points a week against the ruble in MICE auctions.

Meanwhile, the Central Bank was buying up a weakening currency but with ever diminishing effects on emission. By the beginning of June, the Central Bank had increased its foreign currency reserves to $9 billion, which is roughly equal to the amount required by the IMF. **The Central Bank occupied the dominant position in the currency market. This enabled it to directly influence movements in the rate of freely convertible currencies against the ruble.** In May, for example in auctions at the MICE, the MBK [expansion unknown], and the promissory note market the Central Bank was playing against itself, driving hard currency into state short-term bonds and back again, which had a tangible impact on the current yield of these financial instruments.

While the Central Bank was building up its foreign currency reserves, the Finance Ministry was tackling the task of replacing part of its gold and foreign currency reserve, which had been sold to finance budget expenditure in 1994 and the first quarter of 1995. The relevant budget spending figure then was 10.4 trillion rubles (the ruble equivalent of $2.2-$2.5 billion). To offset this gold drain, the Finance Ministry was supposed to accumulate freely convertible currency and then use it in the world precious metals market. For that it was planned to increase the amount of state short-term bonds in circulation and convert the ruble revenue into dollars in the domestic currency market.

In the first quarter of 1995, the Central Bank supported the Finance Ministry by buying 4 trillion rubles' worth of state short-term bonds. In April and May, the Central Bank helped the finance department in a different way. The Central Bank's tactic of driving down the dollar rate of exchange made it easier for the Finance Ministry to top up its gold reserves. First, there was an increase

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in the influx of commercial banks' free ruble funds into the state short-term bond market, which drove down the bonds' average yield and consequently the total payout of budget bonuses to holders of these bonds. Second, the Finance Ministry was able to use the ruble revenue from the placement of state short-term bonds to buy up a larger amount of depreciated dollars in the domestic currency market.

The commercial banks and financial organizations came under pressure from two directions — the Central Bank's currency and monetary-reserve policy. Their speculative deals in freely convertible currency not only ceased to generate revenue but also directly reduced the profit from ruble deposits and loan dealings. That is why **the banks, especially the small banks, simply began dumping their now dangerous dollars** and began placing their free ruble resources in state securities which, furthermore, had a beneficial tax spin-off. Meanwhile, **the Finance Ministry artificially supported the return on state short-term security dealings at a level considerably higher than the return on hard currency dealings.**

However, the use of state short-term bonds to boost the Finance Ministry's gold and currency reserves is being hindered by the irrational structure of the placement of securities. Today around 65 percent of the total issue of state short-term bonds have a three-month expiry date. Commercial banks and financial organizations invest funds in this category of security because they receive the kind of speculative return which they used to get from dealings in currency or "short money" operations. To end the speculation in state short-term bonds and ensure the budget's steady receipt of revenue from their sale it has been decided to attract the population's cash savings into the state short-term bond market. However, two-thirds of those savings are held in freely convertible currency (around $20 billion). That is why **according to the Finance Ministry and Central Bank plan, citizens are to be encouraged to switch their foreign currency savings to state short-term bonds by a further reduction in the rate of the dollar to the ruble** — what is more, the decline in the rate of the dollar is considerably outstripping the fall in the rate of inflation.

At the beginning of June, the population saw the accelerated fall in the fate of freely convertible currency, did not understand why this was happening, and panicked. Waiting lines outside the currency exchange offices grew as citizens rushed to convert their depreciating dollars into rubles. Having realized what was going on, **the big commercial banks and financial organizations joined in the game, driving down the currency exchange rate so that speculative income is derived not from the margin resulting from the sale of cash dollars but from the commission received when buying them.** The population dumped its freely convertible currency on a massive scale with the result that the average weekly rate in the currency exchange market in the first half of June rose by a factor of 1.6 compared with the last week of May and the decline in the dollar exchange rate over that period doubled.

So the Central Bank and the Finance Ministry, working separately and jointly, resolved their problems. The Central Bank's currency reserves approached the level recommended by the IMF. The operation to top up the treasury's gold reserves is nearly complete. However, there is a high price to pay for these operations — namely, **the fall in the standard of living.** In the first quarter of 1995 there was no indexation of pensions, allowances, or wages. **In January- May this year the population's real money incomes fell by one-fourth compared with December last year when inflation is taken into account.** The consequence of the decline in per capita incomes is that citizens' money savings have fallen, something that has not happened since March 1994. The population's loss of purchasing power is considerable.

The Central Bank and the Finance Ministry are continuing to pursue a narrow fiscal policy. The only thing is that now the dollar exchange rate is being manipulated for the purpose of funding the budget deficit. **We believe that a covert monetary reform of a confiscatory type is being pursued in the guise of the 'dedollarization' of the economy.**

At present the population's savings in foreign currency are approximately twice as high as the amount of cash in circulation. The slump in production (primarily of consumer goods) to a critical level and the deterioration in the balance of payments, which is restricting imports, has left the country starved of goods. The symptoms and true scale of the imminent threat are currently being disguised by a tough state monetary-credit and financial policy although **deep within government institutions they have long been mooting the idea of a devaluation of the ruble.** In view of the parliamentary elections later this year, however, a rather devious method has been chosen to carry this out, we believe. **Unlike the monetary reforms of the Soviet period and the one-shot devaluation of citizens' personal savings in January 1992 that everyone remembers, what we are witnessing today is the de-facto confiscation of the population's savings by the deliberate reduction of their dollar equivalent.**

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Reaction to Cash Reserve Directive

MM0607140095 Moscow KOMSOMOLSKAYA PRAVDA (Business Tuesday Section) in Russian 4 Jul 95 p 1

[Article by Fedor Sizyy under the "View from the 6th Floor" rubric, "using information provided by ITAR-TASS and Rosbizneskonsalting": "Concerning the Ruble: Rumors Involving Plenty of Zeros"]

[FBIS Translated Text] You could have gotten odds of 100 to 1 that there is not going to be a monetary reform at this very moment. What denomination of ruble could this be when a 100,000 ruble [R] note was recently put into circulation?

Nevertheless, the Russian currency market reacted painfully to this ill-informed hullabaloo. Especially in Vladivostok. This was due to the seven-hour time difference between Vladivostok and Moscow. Whereas in trading in the capital on Friday [30 June] the dollar rose by just 100 kopeks, in the Far East the "greenback" leapt a full R500. Panic ensued there and the distraught populace really cleaned out the stores.

Admittedly, in Moscow also the "black" market became active. Even on Sunday [2 July] many exchange offices were giving R4,700 to the dollar and selling dollars at R4,800-R4,850. Such a substantial discrepancy between that rate and the official rate undoubtedly enabled many foreign currency speculators to make a killing. The gamblers' joke "if I'd known it was so easy I'd have gone to town" came to mind a number of times during these troubled days.

So what actually happened? Someone really stood to gain from arranging a leak of information about the Central Bank's "unfortunate" telegram. As the Central Bank of Russia Press Service report said, "this telegram is a purely internal Bank matter, such a practice occurs in all the countries of the world." But it is surely only in Russia, whose population have learned from the bitter experience of surprise reforms, that the state bank's working directives provoke an explosive reaction.

The Central Bank's recent telegram to the commercial banks demanding that they transfer their cash residue to the reserve funds was dictated by the Central Bank's desire to boost its money supply account on 1 July — that is the opinion of Vyacheslav Zakharov, vice president of the Association of Russian Banks. I can agree with him, especially since the Central Bank Press Service report does not conceal the reasons for such telegrams: "It is necessary to sum up the results of the second quarter and of the half-year, but that cannot be done without precise financial statistics and they can only come from the money which has passed through the regional cash payment centers."

But it is not only V. Zakharov who finds the telegram operation itself "clumsy, 'crude,' encouraging unnecessary interpretations, and undermining the population's confidence in the authorities."

So we are going to have to continue living according to quarterly accounts and in Russia any method will do when it comes to compiling those reports — even organizing a biblical Flood.

If, then, you accept such explanations, you have to recognize that the Central Bank is still functioning like a directive organ from the era of the Council of People's Commissars. Be that as it may, Aleksandr Livshits, the Russian president's aide for economic matters, has compared the "Central Bank under Yeltsin to the Gosplan under Stalin" and promised that the Central Bank's role is going to increase next year.

But at the moment, as the graph statistics show, the U.S. dollar has indeed fallen a lot if you take into account actual inflation in Russia. Think of prices in June 1991 and compare them with this year. Incidentally, at that time I used to receive a salary equivalent to $10 — but what golden dollars they were!

The rapid decline in the dollar is no indication at all of the strength of the Russian ruble. The dollar has already been functioning for a long time within the closed financial system in Russia. Its purchasing power was considerably less in our country than in the United States and Europe. But now that closed system within Russia has come apart at the seams. The price of the dollar in Moscow at present is completely different from the price in the provinces. Russia is great but is it a state?

The rate of the dollar against the ruble:

30 June 1995: 4,539

30 June 1994: 1,989
30 June 1993: 1,060
30 June 1992: 144
25 June 1991: 42

Review of Panskov's 1996 Draft Budget Announcement

MM0707100695 Moscow ROSSIYSKAYA GAZETA in Russian 7 Jul 95 p 1

[Report by Maksim Zarezin: "Budget in Russia Is More Than a Budget"]

[FBIS Translated Text] At a press conference devoted to the implementation of the Russian president's budget

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message in the draft budget for 1996, Russian Federation Finance Minister Vladimir Panskov announced that work on the project has come to an end, after 10 July the document will be transferred to the government, and after 20 July to the State Duma. Next year, the state counts on receiving revenue of 355 trillion rubles [R] while R440 trillion should be spent, which means there will be a budget deficit of R85 trillion or 4 percent of the GDP, which is planned at R2,100 trillion. Inflation in 1996, to judge by the draft, will not be more than 2 percent.

The presumed revenue will be obtained if the maximum amount in taxes is collected. At the same time, the draft does not provide for a tax on increasing the wages fund or a special tax although inefficient tax concessions will be curtailed. The quarterly reduction in export duty will continue. How difficult it was to comprise the expenditure part can be judged by the fact that applications from ministries, departments, and components of the Federation totaled R960 trillion.

The compilers of the draft budget proceeded primarily from the main tasks formulated in the president's message: stepping up the budget's social orientation and creating conditions for boosting production. So there has been a substantial increase in expenditure on health (from 0.3 to 0.7 percent of the GDP), education, and other aspects of the social sphere. The draft also provides for funds for raising the minimum level of pensions and wages. The state will channel twice as much money into conversion programs and there will be a 150-200 percent increase in the volume of budget investments in high-technology sectors where credits will be provided on a competitive basis.

As in 1995, it is planned in the draft to cover the budget deficit by means of noninflationary sources. The difference is that a large part of the deficit (R50 trillion) will be met with domestic loans and not foreign credits. As for the execution of the budget for this year, part of the problems which have arisen are gradually being resolved. Whereas in the first quarter the financing of expenditure was ensured 81.8 percent, in the second quarter this indicator passed the 90 percent mark, and in the third quarter, according to the forecasts, expenditure will be financed 93-94 percent. The tax collection rate is increasing and matters are worse with regard to covering the deficit because only the minimum expected amount has been obtained from privatization.

In recent months wages payment arrears have formed in the order of R100-200 billion, while some sources report several trillions. At the same time, to reduce social tension in some regions it has been necessary to dispatch form the federal budget to the Federation components R306 billion to pay wages and leave pay for teachers.

Vladimir Panskov gave an assurance that the ministry is taking vigorous steps to reduce the money mass and to prevent the traditional eruption of inflation in the fall. The Ministry of Finance intends to work vigorously not only with the short-term state bonds but also on other segments of the financial market and preparation is ending for the issue as of 1 September of funded bonds for the population. So the ministry leadership believes that the average inflation for the year will not exceed 7 percent.

The press conference touched on questions exceeding the framework of budget topics but perturbing many Russians. There was talk of the alleged imminent money reform. In its 30 June issue, ROSSIYSKAYA GAZETA assessed this story as a rumor playing into the hands of exchange speculators. Now Vladimir Panskov has stated officially that neither the Central Bank, the Ministry of Finance, nor any other government organ has discussed or is discussing the question of any reform in the sphere of money circulation. Also, the Central Bank telegram that caused such a fuss is a technical measure, which should promote the stricter observance of legislation, including tax legislation.

So the draft budget is completed. It is obvious that it will not encounter any serious obstacles on its path in the government; however, it could be substantially amended in the Federal Assembly. In that case, the Ministry of Finance intends firmly to defend the basic macroeconomic indicators — the inflation level and sources of loans — while they are prepared to compromise on the rest. Moreover, the Ministry of Finances is suggesting that before the end of the session deputies create a conciliation commission and embark on consultations.

It is not hard to note that the ideologies of the budgets for this year and next essentially coincide — they involve an extreme toughening of financial discipline, the rejection of money emission that is not backed up by anything, the reduction of inflation, and hence the revival of the economy. So we shall judge the quality of the draft and its feasibility on the basis of this year's results — how the mechanisms for the noninflationary covering of the deficit work, how far inflation actually does decline, and how this affects the situation in various spheres of our life.

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Oil Companies Adopt Fair Competition Declaration

MK0507145095 Moscow DELOVOY MIR in Russian 5 Jul 95 p 1

[Report by Konstantin Vantukh under the "Document" rubric: "Oil Producers Intend To Compete Honestly"]

[FBIS Translated Text] On 4 July, all of Russia's leading oil companies signed an antimonopoly declaration — one of the few documents aimed at developing competition, which were adopted by companies themselves.

There have already been examples of monopolization and unscrupulous competition in the oil industry, where vertically integrated companies are currently being built based on previously existing organizations. There is nothing extraordinary about this — some companies have historically occupied leading positions in oil and oil products markets in different parts of Russia. Now, the distribution of regional enterprises among various corporations is leading to the division of the country into "estates," with virtually no competition inside.

"The Declaration on the Inadmissibility of Monopolistic Activity and Unscrupulous Competition on the Part of Oil Companies" proclaims the intention of the companies which signed it — "LUKoil," "Nefteotdacha," "Rosneft," "SIDANKO," "Slavneft," "Transneft," "Transnefteprodukt," and "YUKOS" — to adhere to these principles.

These principles, in addition of the disapproval of monopolism in its various forms, include the preservation of the currently established relations and the system of main pipelines, ensuring their equitable access by any commercial organizations; unhampered accessibility of oil and oil products markets; and the intention not to create any obstacles or restrictions for third parties in using reservoirs and other infrastructure facilities.

Leonid Bochin, chairman of the Russian Federation Committee on Antimonopoly Policy and Support for New Economic Structures, said "The signing of this declaration is of utmost importance for us, in view of the fact that the stage of the organizational molding of oil companies is drawing to its end, in view of their strategies for domestic and international markets, and taking into account the image of Russian business forms which needs to be created for foreign partners and financial organizations."

Violation of the declaration — work on which has been started by the Russian Federation Antimonopoly Committee, the Fuel and Energy Ministry, and oil companies in February 1995 — will be "publicly condemned by other participants." According to Bochin, this condemnation can be quite consequential. In addition, the offender can be exposed to the antimonopoly legislation to experience its severity.

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International Affairs

Kuchma, German Bankers Discuss Monetary Reform Aid

LD0607173795 Moscow INTERFAX in English 1604 GMT 6 Jul 95

[FBIS Transcribed Text] MUNICH, July 6 (INTERFAX-UKRAINE) — During his visit to Germany Ukrainian President Leonid Kuchma raised the issue of possible assistance from German banks for creating the stabilization fund of the Ukrainian national currency (grivna) for carrying out the monetary reform.

Chairman of the National Bank of Ukraine Viktor Yushchenko told Interfax - Ukraine that in particular the Ukrainian delegation had discussed this problem with the directors of Kommerzbank, one of Germany's largest banks.

Yushchenko said that to create such a stabilization fund Ukraine would need about $1 billion in foreign investments.

He said that during the visit Kuchma had proposed to the German leaders that they back his request to the International Monetary Fund that Ukraine be given the necessary financial funds for supporting the introduction of its own national currency.

Kuchma Sums Up Results of Germany Visit

LD0607204195 Kiev UT-1 Television Network in Ukrainian 1800 GMT 6 Jul 95

[FBIS Translated Excerpt] Ukrainian President Leonid Kuchma ended his official visit to the Federal Republic of Germany today. Our special correspondents, Vasyl Materchuk and Yuriy Zhukov report:

[Correspondent] [passage omitted] In conclusion, Leonid Kuchma concisely analyzed the result of his official visit at a news conference:

[Begin Kuchma recording] My negotiations with the federal chancellor, president, and members of the federal government, the foreign affairs and finance ministers, have reasserted a mutual concern for Ukrainian-German relations to acquire the character of a partnership both in the sphere of politics, and elsewhere.

In addition, Ukrainian Government officials on the delegation had meetings with their German counterparts, with especial attention paid to economic cooperation issues that were discussed, in particular, at my meetings in Cologne, Frankfurt, and Berlin, with the leadership of the German Economy Eastern Committee and representatives of influential banking and industrial circles.

An agreement on double taxation avoidance was signed during this visit. It is to create favorable conditions for wide-ranging investment in the national economy of Ukraine. I call on German entrepreneurs to take an active part in carrying out market reforms in Ukraine. For my part, I pledge that we will achieve both political and legislative stability in Ukraine.

The construction of a new European security system and a wide range of topics on European integration and the consolidation of peace and mutual trust on the continent featured prominently on the agenda of our negotiations. In the light of this, we looked at ways of interaction between our countries within the framework of the OSCE [Organization for Security and Cooperation in Europe], and possibilities of further German assistance in extending cooperation between Ukraine and the European Union.

I would like to say that discussion during this visit focused on some of the issues of a bilateral nature of importance to both countries. Those were, in particular, cooperation in organizing the supervision of military burial grounds, returning items of cultural value that were lost or displaced at the time of the Second World War, and resettling the deportees of German descent who have returned to Ukraine.

We reaffirmed our intention to decommission the Chernobyl nuclear power plant by the year 2000, and underlined that Ukraine expected extensive support from the G-7 and the European Union.

In a nutshell, today we return to Kiev, coming away with a whole package of Ukrainian-German cooperation issues to be dealt with and settled by the Ukrainian Government.

In the course of today's conversation with [Bavarian] Prime Minister Edmund Stoiber, we agreed to further continue with our partnership in cooperation primarily in industry, agriculture, and finances. Bavaria is our long-standing friend and is the prime mover of Ukrainian-German relations. I would like to thank all Bavarians for this and the prime minister of your land personally.

In view of the wealth of Bavarian experience in agriculture, we hope for mutually beneficial cooperation in this area. Bavaria, however, is chiefly a region of hi-tech industry such as automobile and aircraft manufacturing, the electronics and nuclear industries, and other sectors.

(?In terms of its own) scientific and technological development, Ukraine also possesses an extraordinarily good scientific and technological potential, and we can actively cooperate in those areas, which was stated at my meetings in Munich today with the president of Siemens company and the management of Daimler-Benz Aerospace. Today we not only had an opportunity

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to see first-hand how very reliable the latter company's aircraft are, we also signed a number of agreements on future cooperation.

Bavaria is a land of banks and insurance companies. Ukraine is putting in place a program of large-scale market reforms and is in need of substantial foreign investment that will certainly provide investors with a profit very soon. We are ready to promote in every way a broader German, including Bavarian, business presence on the Ukrainian financial market.

Finally, the very rich cultures of our nations and the fact that there is a large Ukrainian community on Bavarian soil simply compel us to cooperate actively in the area of culture and education, which is exactly what we are going to do. Today we spoke about this in detail with the esteemed prime minister.

I would once again like to say that traditional ties between Ukraine and Bavaria are a good example of successfully extending Ukrainian-German mutual relations that are now reaching a new level of partnership. We are convinced that, just as the Ukrainian side does, the German side takes great interest in an active, fruitful, and, most importantly, mutually beneficial cooperation with Ukraine. [end recording] [passage omitted]

Objectives of Baltic-Black Sea League Viewed

WS0607144095 Kiev MOLOD UKRAYINY in Ukrainian 27 Jun 95 p 1

[Interview with Ukrainian Republican Party Chairman Mykhaylo Horyn by Vasyl Shklyar; place and date not given: "The League of Parliamentary Parties from Baltic-Black Sea Region Countries Is Paving the Route 'From Varangians to the Greeks'" — first paragraph is MOLOD UKRAYINY introduction]

[FBIS Translated Text] **An international conference of political parties representing countries of the Baltic-Black Sea region, which was held in the Ukrainian capital on 29-30 July 1994, marked the appearance of a new geopolitical factor on the European scale. To unite efforts aimed at strengthening peace, security, and multilateral cooperation in Central and East Europe, the League of Political Parties from the Baltic-Black Sea Region Countries [LPPBB] was established. Members of this political alliance recently met again in the Polish town of Jaroslaw to coordinate joint actions in the future. Ukrainian Republican Party [URP] Chairman Mykhaylo Horyn sums up the results of the conference.**

[Horyn] The emergence of a majority of political initiatives always has its opponents. The situation was no different with regard to the LPPBB. What is its objective? How will the West react? What will Russia say? Moreover, similar doubts are haunting not only cautious skeptics from governments, but also certain professional politicians and leaders of prominent parties. Meanwhile, life constantly prompts us to seek new friends. The point is that one of the primary reasons for Ukraine losing its independence was the absence of reliable allies. Ukraine's historic experience and its geopolitical position confirm that we should look for such allies within the triangle between the Baltic Sea, the Black Sea, and the Adriatic. However, state structures of the countries located in this region, including Ukraine, do not demonstrate enough vigor regarding the issue of establishing the Baltic-Black Sea alliance. Therefore, political parties were the ones that tackled this.

[Shklyar] Mr. Mykhaylo, given that the state leaders are indifferent to the inter-sea alliance, however, will the efforts of political parties yield any results?

[Horyn] The point is that the league comprises, and will continue to comprise primarily parliamentary parties influencing their countries' policy. As civic societies develop, this influence will naturally increase. The second conference held in Jaroslaw confirmed that this idea is urgent, and has good prospects. We analyzed in detail a whole range of political and economic problems of countries from the inter-sea region, and defined the league's stance on economic cooperation among our countries. While emphasizing the priority of economic relations, which should become the foundation of the Baltic-Black Sea alliance, we are naturally looking for political advantages, too. Nobody has ever concealed the fact that the primary goal of the alliance is security in the region, including the security of every single state. The league's efforts will be aimed at our countries' admission to NATO and EU. We do not conceal the fact that countries, from which the founders of the league came, represent a compact group independent from the common European integration, a group which is similar to Belgium, the Netherlands, and Luxembourg. We will strive to make inter-sea countries, which are members of the CIS, secede from the latter structure. To ensure national and international security, the league will demand that Russia's Kaliningrad Oblast be demilitarized, the 14th Army removed from Moldova, and the conflict in former Yugoslavia resolved. We believe that our states must immediately begin cooperating in the battle against organized crime. To do so, we need international structures to combat the criminal world.

[Shklyar] When it comes to Ukraine's national security, as well as the security of other inter-sea states, we usually glance toward the cold north. After all, Russia, being driven by its pathological desire to restore its empire, is continuing to follow the military path, and

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spill the blood of all disobedient people. Russia has already swallowed Belarus, and it is inciting separatist sentiments in Crimea and reestablishing its reign in the Caucasus and Central Asia. What can be done to counter the expansion of this insatiable state?

[Horyn] This issue was explained in a separate declaration issued by the league in Jaroslaw. Russia's aggressiveness is particularly dangerous in light of the West's silent approval. The West seems to be afraid of Islamic fundamentalism, and is turning a deaf ear to Moscow's aggressive policy. The IMF continues to feed Russia with financial assistance, which is then used to wage war in Chechnya, instead of economic purposes. Zhirinovskiy [leader of the Russian Liberal Democratic Party] dreams about columns of tanks crossing Ukraine during one night and reaching the Black Sea; President Yeltsin claims that Sevastopol is a "Russian city" [words in quotation marks published in Russian]; the Russian legislature passes corresponding resolutions on the Sevastopol issue; and an old woman from the Russian city of Yaroslav bemoans "the fast shrinking of our country" — all these facts indicate that the mentality of a significant number of Russians is afflicted with imperial illness. This illness is yet to generate aggression toward the newly independent states for a long time. Also in this area, we should thus pin our hopes on the unanimity of East and Central European states, which can oppose the imperial octopus. By acting separately, it is hard to withstand the mentality of the Orda [medieval Tatar state] and its savage appetites. Poland once fell and smashed Ukraine, as [Ukrainian poet] Taras Shevchenko put it. At present, wise Poles understand that if Ukraine falls, it will smash Poland and other states, too. Imperial appetites know no limits. There are neither laws nor rules for those who dream about foreign lands, despite the fact that God granted every nation the right to establish its own state on its own territory. Russia's genocide against the Chechen people is a vivid example of that. At the demand of the LPPBB, this crime should be denounced by the International Tribunal. A separate document on this issue was approved in Jaroslaw, which points to the need to recognize the Chechen Republic of Ichkeriya as an independent state, subject to international laws. Otherwise, what is the point of the famous UN declaration on the independence of colonial countries and peoples passed on 14 December 1960?

[Shklyar] Incidentally, you attacked the imperial nature of Russia's policy in your speech delivered at the international conference "From Communism to Democracy," which was held in Krakow on 4-6 June 1995, shortly before the conference of inter-sea states. The Polish central press, including DZIENNIK POLSKI and GAZETA KRAKOWSKA quoted your accusations against Russia, which will not become a democratic state anytime soon.

[Horyn] We have to constantly persuade the Western world of this, which is so recklessly playing with Russia. The Krakow conference, organized by the International Center for the Development of Democracy, was attended by Europarliament and Council of Europe members, as well as by delegates from the United States, Poland, Bulgaria, Hungary, Ukraine, Lithuania, Latvia, Serbia, Croatia, and Russia. My primary task was to make them realize the whole truth about Moscow's imperial policy.

[Shklyar] Judging by all appearances, the second conference of LPPBB did a good job, and passed significant documents. However, the number of participants in such an event also indicates its importance, and if I am correct, the Jaroslaw conference was attended by fewer parties than the Kiev one. Why? Who represented Ukraine, in addition to URP?

[Horyn] In terms of the number of participants, the Polish conference was indeed somewhat more modest. However, this was not due to any coldness or disappointment with the league's activities. The primary reason lies in the financial and organizational capabilities of the host. Along with URP, Ukraine was represented by the Democratic Party and the "Green" Party, while the Liberal Party was represented by observers.

[Shklyar] It was decided to hold the next meeting in Minsk at the end of this year. This is almost in... Russia. Is it worthwhile to "honor" Belarus, which has lost its independence, in this way?

[Horyn] Perhaps it is worthwhile, namely because of this. The Belarusian people have chosen slavery. However, this nation has genuine patriots, too, who will protect the ideals of freedom. I believe that it will be Ukraine that in the near future will demonstrate to Belarus the importance of freedom and independence.

Cooperation Protocol Signed With Uzbek Border Troops

LD0607214795 Kiev UNIAN in Ukrainian 1745 GMT 6 Jul 95

[FBIS Translated Text] Kiev [no date as received] — Vladimir Rakhmatullayev, commander of Uzbekistan's Border Troops, met Viktor Bannykh, chairman of Ukraine's State Committee for Border Defense. A cooperation protocol between the border troops of Ukraine and Uzbekistan was signed. UNIAN has been informed of this at Ukraine's State Committee for Border Defense.

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The sides decided to hold regular consultations on issues of cooperation and mutual interaction of border troops; to exchange information on borders; and to combat illegal migration, the trafficking of drugs and poisonous substances, and the smuggling of arms and ammunition. In the second half of the year, representatives of border troops will hold working meetings with the aim of concluding mutually beneficial contracts for the supply of materials and machinery on preferential terms.

Bannykh, commander of Ukraine's border troops, told UNIAN that the sides discussed a draft agreement on cooperation between the border troops of the CIS member states, which had been drawn up by Ukraine. According to Bannykh, the commander of Uzbekistan's border troops supported the treaty version proposed by Ukraine.

As is known, at the Minsk summit Uzbekistan did not sign the draft agreement on border defense between the CIS member states and non-CIS states.

Bannykh said the draft agreement on cooperation between the CIS border troops put forward by Ukraine was discussed in Minsk on 27 and 28 June at the level of experts. Only Russia and Belarus made fundamental remarks about the draft.

National Affairs

New Crimean Speaker Outlines Plans for Parliament

LD0607130395 Kiev UNIAN in Ukrainian 1000 GMT 6 Jul 95

[FBIS Translated Text] Simferopol — After nominations and the debate on candidacies, Crimea's parliament at its morning meeting on 6 July elected Yevheniy Suprunyuk [as speaker]. In a secret ballot, 89 deputies produced a majority of 58 to 31 votes. The other two candidates were Vasyl Kyselyov and Andriy Stavytskyy.

Yevheniy Suprunyuk, formerly head of the state fire protection department at the Ministry of Internal Affairs of Ukraine main directorate in Crimea, was born in 1955 and has three degrees in higher education, including in law. He is married with four children. He is not a member of any party.

The newly elected speaker of the Crimean parliament told journalists in an interview that his victory did not mean the victory of pro-Ukrainian forces in parliament. "This is a victory for Crimea and we shall work for the benefit of Crimea with both Russia and Ukraine," he said.

Yevheniy Suprunyuk expressed the hope that Crimea's parliament would pass very soon the peninsula's constitution and put in place the law on power sharing between Ukraine and that autonomous republic.

He said his intention was to name a new presidium "solely on an interfactional basis" and to cooperate constructively with all parliamentary factions.

Yevheniy Suprunyuk further said that his team and he had proposals to make on restructuring the activity of the parliamentary apparatus, and that he would choose his deputies on the basis of an agreement between various parliamentary factions.

He added that he would strive to return Crimea's Government "under the wing of its parliament," as he believes that it is very difficult to work and put into practice parliamentary laws without the aid of the government. The relationship between the parliament and the government, he said, will be set out in the autonomy's new constitution.

Crimean Supreme Council Presidium Resigns

LD0607200795 Kiev Radio Ukraine World Service in Ukrainian 1600 GMT 6 Jul 95

[FBIS Translated Text] Following a proposal by Volodymyr Klychnykov, deputy chairman of the Supreme Council of Crimea, all the members of the Presidium of the Supreme Council of Crimea handed in their resignation. The decision was approved at a session of the Presidium of the Supreme Council of Crimea today. At the session, Yevhen Suprunyuk, chairman of the Supreme Council of the Autonomous Republic of Crimea, confirmed his decision to form a new Presidium of the Supreme Council, following consultations with all the factions of the Crimean parliament.

The Supreme Council of Crimea will elect the presidium on 7 July. The decision was made at the evening session of the Supreme Council of Crimea. Supreme Council Chairman Yevhen Suprunyuk told deputies that in connection with the election of the new speaker, all the members of the Presidium of the Supreme Council of Crimea handed in their resignation, which was approved by 59 votes in favor, out of the 77 deputies who took part in the vote.

Crimea Seen Menaced by Ethnic 'Civil War'

MM0607153495 Moscow IZVESTIYA in Russian 5 Jul 95 p 2

[Report by Nikolay Semena: "Mafia Clashes in Crimea May Grow Into Interethnic Conflict"]

[FBIS Translated Text] Simferopol — Following the Feodosiya-Sudak pogroms, the wave of reprisals on the

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Crimean peninsula has not died down, as might have been expected if the events had been a spontaneous incident, but have in fact intensified. Observers believe that this confirms the organized "criminal-economic nature" of recent events, as S. Ivanchenko, leader of the Crimean Security Service, stated. A Mercedes came under assault rifle fire a few days ago in Simferopol, and the bodyguards of the Crimean "authority" of the "Greek" grouping were killed. Then the "Alenka" cafe at the airport was blown up and burned out, and a furniture workshop at the "Funa" private firm was also burned down. In Mirnyy, near Simferopol, a killer used a Tokarev pistol to shoot the driver of a VAZ truck. In the same period of time another few cafes and bars were destroyed. An unknown man was also taken to hospital with a bullet wound to the head, and he died on the operating table without having regained consciousness....

The gist of what is going on is easy to explain: The redivision of the spheres of influence in the peninsula's economy is continuing. Something similar happened exactly a year ago, when the Christian Liberal Party, which controlled supplies of petroleum and metal and had united the Crimean criminal-economic world into a single attack force in the face of an external threat for the first time, was shot up in June of last year.

In trying to understand the June pogroms the Crimeans realize that you can no longer say that crime has no nationality. Having moved to Crimea, the Crimean Tatars are coming up against a market that has already been divided up by the local Russian-speaking structures, which they have no intention of giving up. In this situation, the line between crime, politics, and economics has turned out to be so fine that in the fight for the division of the market the Crimean Tatar authorities have succeeded in making their people rise up — ostensibly for the just cause of combating the local mafia. And this has happened in such a way that for the first time the situation is apparently no longer under the control of the [Tatar] mejlis. As is shown by the killing of two Tatars in Kurortnoye, which triggered the unrest in Feodosiya, this was a strong motive, but not a chance one. The funeral in Shchebetovka, which had earlier been planned for Saturday, was specially moved to Sunday. More evidence is supplied by the fact that the "rebels" had weapons and inflammatory substances at their disposal, and that they fired at the militia near Sudak by way of provocation. Everything points to the fact that someone was looking for a reason for a massacre. Back on 18 June in Chistenkoye, near Simferopol, a group of Crimean Tatars beat up members of the local population for no apparent reason whatsoever. It was purely by chance that the conflict did not spread to the whole of Crimea. No doubt the "plate of strawberries" which at one time caused pogroms to break out in Uzbekistan, and later the interethnic conflicts in Nagornyy Karabakh and Abkhazia which broke out for similar trifling reasons, has now been prepared for Crimea. It is just a question of time.... Today the local authorities are publicly calling for vengeance, while the Tatar agents are continuing to circulate around the markets, warning the traders: "If someone pays even a coupon to the collectors of contributions, they will have to deal with us...."

As an influential person in Crimea, who wishes to remain anonymous for the time being, said in a conversation with your IZVESTIYA correspondent, a lot of Crimean entrepreneurs, who have already accumulated their initial capital, would indeed be prepared to concede the markets and the stalls to the newly arrived authorities; but the new criminal structures, which have as a rule arrived from Uzbekistan, have brought with them something that the local authorities have never been involved in — narcotics. The peninsula is witnessing the vigorous formation of a sales network, a consumer market, and structures for the supply of the "commodity" and the collection of payments and "taxes." The resistance of the local entrepreneurial structures and-law enforcement organs is hindering this. So of course the best and easiest way is to defeat them in a "just national-liberation struggle." Or rather, under its flag.

R. Chubarov, a Crimean Supreme Council deputy and deputy chairman of the mejlis, called the events that have occurred "the prelude to civil war," in which the desperation of some will stand on one side of the barricades while the satiety of others will stand on the other side; and looming over everything will be the indifference of yet others. Today Crimea is living in a state of uneasy fear that large groups of people may once again be dragged into interclan fighting on the basis of ethnic origin, and that the conflict will develop into interethnic clashes capable of attracting enormous forces from outside Crimea and entailing numerous casualties and incalculable losses. As it has turned out, it is beyond the power of the authorities — which are weakened by the senseless fight among themselves and with Kiev — or the law-enforcement organs, or the mejlis — which has not understood the meaning of the events — to avert this.

Filenko on Revived New Ukraine

954F2669A Kiev NEZAVISIMOST in Russian 23 Jun 95 p 4

[Interview with Vladimir Filenko, chairman of the Democratic Revival of Ukraine Party and cochairman of the New Ukraine association, by Viktoriya Andreyeva;

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place and date not given: "'Into the Same River Twice, But With Scuba Gear'"]

[FBIS Translated Text] Our interviewee is the well-known politician Vladimir Filenko, who is in this interview acting in what is for him a new capacity: He is today not only chairman of the Democratic Revival of Ukraine Party but also one of the three cochairmen of the New Ukraine association (together with Kharkov Mayor Ye. Kushnarev and V. Kafarskiy from Ivano-Frankovsk, chairman of the association's Council for Regional Problems). We would recall that in 1992-1993 V. Filenko was chairman of New Ukraine.

[Andreyeva] Vladimir Filippovich, more than three years ago our newspaper was the first to publish a report on the founding of a new grassroots organization—the New Ukraine association, which included a whole constellation of politicians, economists, and entrepreneurs. Then came the association's first congress and the attention of the press, the swift and powerful start, New Ukraine's vigorous activity in the new parliament, the participation in the processes that brought about the resignation of the V. Fokin government and the election of L. Kuchma as premier, and the association's struggle for the early dissolution of the Supreme Council. Then a lull, which lasted for 18 months. And now talks once again, a congress is in the offing once again, you are a leader of these processes once again.... What does this mean—you want to step into the same river twice?

[Filenko] If it is necessary for Ukraine, I am prepared to step into this river three times and four times—as many times as are necessary. These are not simply important-sounding words spoken in one of a hundred interviews. The point is that three and a half years ago 87 founders of New Ukraine set themselves the very noble goal of the conversion of a republic of the former Union into a normal state with a normal economy. At that time some of your journalist colleagues were saying that Rukh had won political independence for Ukraine and that New Ukraine's mission was to win economic independence for the young state.

Both the first and the second parts of this sentence are, naturally, an exaggeration, but the essence of the processes was spotted very precisely. For New Ukraine emerged immediately following the referendum of 1 December 1991 and the conversion of the USSR into the CIS. Originally the association had been conceived of as an economic reform movement organizationally structured as an alliance of politicians, entrepreneurs, and the unions. I regret to say that even today, in mid-1995, Ukraine lacks 100 percent economic independence and that far from all the reforms have been undertaken, and the politicians and entrepreneurs on a national scale remain disconnected. Whence the conclusion: New Ukraine has not yet accomplished its tasks, all the programs and plans of the association remain pertinent, and it is simply essential, in bureaucratic language, "to step up the work, enhance, increase...." and so forth.

[Andreyeva] All the other grassroots and political organizations, and there are quite a lot of them in Ukraine, advocate the exclusion of the communists and socialists and the implementation of economic reforms also. The vast majority of them also lay claim to an alliance with the entrepreneurs, to put it more simply, to business funding of their organizations. Has your association not gotten lost in this chorus, what are its principal differences from such organizations?

[Filenko] Truly, there are approximately 1,000 grassroots organizations and 40 political parties in the country today. Naturally, they are all proclaiming as their purpose an improvement in people's life and economic upturn. If these figures are viewed through the eyes of our weary electorate, it appears from outside that they constitute a large number: "That's enough! How many can there be?" But what do we have as a result?

Alas, there is in Ukraine as of today neither a political nor a social force which could bear the responsibility for the realization of economic reforms in the country. We have in parliament 11 groups and factions of deputies, but, unfortunately, we do not have a strict division of deputies according to the classical majority-minority-"morass" model. Whatever is said about the socialist speaker and the domination of the communists in the Supreme Council, this does not, unfortunately, fully correspond to reality.

[Andreyeva] Why "unfortunately?"

[Filenko] Because "the people should know their heroes." The electorate should know that to blame for all its troubles is, for example, Party No. 7, which is impeding the reforms inasmuch as it won a parliamentary majority at the elections and is now adopting laws that are making people's lives worse and forming a government which by its actions is making these bad laws even worse. But we do not have this. It may be said that in the Supreme Council today we have 11 "morasses," but neither a strict majority nor a strict minority. As a result we have the fifth nonparty government (since 1991). What is even worse is the fact that Ukraine has given birth to its second nonparty president, who, individually shaping his administration, has once again put it together according to the so- called "professional principle."

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[Andreyeva] And now he will individually shape the Cabinet of Ministers also....

[Filenko] Yes, and the familiar speeches about "the main thing is that the government not be politicized" are already being heard from there also. This means that the next, sixth, government also will once again be nonparty, and it will not be possible to tell anyone that the prices were raised by the communists and the gas turned off by the socialists. Of course, there should be professionals both in the government and in the administration, but it is time that we forgot about the so-called "personal responsibility" of individual leaders. It is time to ascertain who here in the country is **"politically responsible"** for all that is happening.

[Andreyeva] It is hard to disagree, but you have avoided my question....

[Filenko] I was about to answer it. We cannot for this reason say that there are too many political organizations in the country. There are too few parties in Ukraine because a party which would, I repeat, bear the full responsibility for what it did in office has not yet appeared.

[Andreyeva] And New Ukraine lays claim to the role of such a party? But this is what everyone wants! In what way are you different?

[Filenko] Yes, New Ukraine has right from the outset through the present laid claim and will continue to lay claim to participation in the political struggle, in elections of all levels. And you are absolutely right: "Everyone does want," particularly support on the part of the entrepreneurs, not only moral, furthermore. If we are speaking about how we differ from the others, therefore, I could repeat a slogan from a popular television commercial: "We were the first and we remain the best!"

[Andreyeva] This is, if you will excuse me, put somewhat too strongly, to put it mildly. Could you not put it somewhat more modestly and in somewhat more detail?

[Filenko] Very well, then, let us put it more modestly: **"We will be second and will not be the worst!"** I believe that in the three years of its existence the New Ukraine association has accumulated sufficient creative and personnel potential to now become a part of the country's political life in a new capacity and to seriously look for success at the coming elections. In this case New Ukraine truly will be the "second" political force to have come to power, if we understand by "first" the nonparty ministers, presidents, and two parliaments replacing one another. But without false modesty and self-advertising I really can claim that "we were the first"—in the sense that three and a half years ago we were able for the first time to unite in one organization both politicians and entrepreneurs. And it was joined by many of the best people of Ukraine.

[Andreyeva] Yes, there were, indeed, more than enough important names: V. Lanovyy, Yu. Shcherbak, V. Grinev, V. Yevtukhov, V. Pilipchuk. I recall that Leonid Danilovych Kuchma also was a member of the New Ukraine group of deputies in the Supreme Council.... But where are your friends and brother-soldiers today? Lanovyy is the leader of the Liberal Party, Shcherbak, ambassador in the United States, Grinev, leader of the MBR [Interregional Reform Bloc], Yevtukhov, leader of the Union of Industrialists and Entrepreneurs....

[Filenko] ....And so forth. Life moves on, everything is in flux, everything changes, but the level of this organization or the other and its political weight are not determined only by the number of important names. An organization's regional structure, the number of its collective and individual members, the existence of a professional administrative system, and so forth will always be important. I may repeat once more, therefore, that in three and a half years a considerable number of people, of whom once again in bureaucratic language it may be said that they represent "sufficient creative and personnel potential," have united in New Ukraine and around it. The number of the association's group members has recently grown from 14 to 23. Taking part to this extent or the other in the association's activity and in preparations for the forthcoming fourth congress today are Ye. Kushnarev, mayor of Kharkov and chairman of the Association of Mayors of Cities of Ukraine, A. Razumkov, first assistant of the president of Ukraine, A. Galchinskyy, adviser to the president of Ukraine, A. Matviyenko, chairman of the Labor Congress of Ukraine party, O. Demin, deputy chairman of the Supreme Council, O. Taranov and V. Butkevich, members of the Supreme Council Presidium, Yu. Yekhanurov, chairman of Ukraine's State Property Fund, people's deputies A. Yemets and T. Stetskiv, B. Sobolev, deputy minister of finance of Ukraine.... These are, you will agree, no less "important" names.

[Andreyeva] I have no doubt that now also, as three years ago, you will bring together many well-known economists, politicians, and businessmen....

[Filenko] I shall just correct you somewhat: not "I brought together" but "we united."

[Andreyeva] An important correction, but, nonetheless, the following question: Will it not be the case that, owing to the amorphousness of the New Ukraine structure, all these leaders will after a certain amount of time once again be outside of the association, having satisfied their political ambitions?

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[Filenko] Yes, this was the case with us, but we are learning from our mistakes and drawing the necessary conclusions. Figuratively speaking, if are stepping into the same river for a second time, it is only with scuba gear and other essential equipment. We have become smarter in the three years and as a result of lengthy discussion have concluded that the amorphousness and brittle nature of the structure may be overcome if the nucleus of the association is a strong political party or a strict bloc of parties. There arises in this case a qualitatively different mechanism of relations with the group and individual members of the association, when no one is, as we used to say in the village, "wholly unsecured."

[Andreyeva] As I understand it, you are now operating not as cochairman of New Ukraine but as chairman of the Democratic Revival of Ukraine Party, which wants to be the "guiding and directing force" of the whole association. But we have already had all this: One party was the nucleus of all the other public organizations—from the unions through the Temperance Society.

[Filenko] Throughout the world all parties have always struggled and will continue to struggle for influence on other nonpolitical organizations. This classical pattern has operated for many years in many countries, in which, incidentally, people live somewhat better than with us. And this pattern should not be stigmatized merely because the CPSU availed itself of it. In just a little while we will see that all 40 Ukrainian parties will form around themselves broad associations from various trade unions and youth, women's, and religious organizations. And there will be tough competition between the parties, and this will only be to the benefit of society. The CPSU's problem was the absence of competition and the fact that it was the sole party dominant in all public organizations without exception. The PDVU [Democratic Revival of Ukraine Party] by no means intends to be the sole party in New Ukraine or to declare its monopoly of anything, although we have been in the association right from the outset. I would recall that the association includes four other political parties also: the Constitutional Democratic Party, the Liberal Democratic Party, the Free Peasants Party, and the Working Congress of Ukraine Party....

[Andreyeva] ....with which you have become very friendly as of late.

[Filenko] There is no such concept as "friendship" in politics, fortunately. Everything here is far simpler—the PDVU and the TKU [Working Congress of Ukraine] have since this January been united in a strict political bloc. In the future our cooperation within the framework of this bloc will, possibly, lead both parties to an understanding of the need for their merger. But today our bloc is open for membership to other parties also, including those which are not members of New Ukraine.

[Andreyeva] On what conditions?

[Filenko] On the conditions of recognition of the principles set forth in a very brief—just one page—but very ample document, which we have called the "January Theses."

[Andreyeva] Following your logic, I assume, then, that at the forthcoming New Ukraine congress either your PDVU or your ally—the TKU—will "present an initiative," and the association will adopt these principles under a "June" name. Am I right?

[Filenko] There is no need for this inasmuch as 90 percent of the principles are set forth in various program documents, which have already been adopted at previous New Ukraine congresses.

[Andreyeva] I have for you one final question, not even a question, perhaps, but a request—that you refute the rumors that there are some parallels between the present assertiveness of New Ukraine and the constituent congress of the Russia Is Our Home association held last month in Moscow.

[Filenko] There can be no parallels here, of course. The legalization and organizational formalization of the "power party" headed by Premier V. Chernomyrdin are, finally, taking place in Russia. It is a great pity that nothing of the sort is as yet happening in Ukraine—we have already spoken about this today.

Supreme Council Endorses Basic Principles of Budget

LD0607130595 Moscow ITAR-TASS in English 1236 GMT 6 Jul 95

[By Mikhail Melnik]

[FBIS Transcribed Text] KIEV, July 6 (ITAR-TASS) — The Ukrainian Supreme Soviet on Thursday endorsed the basic principles of the budgetary policy in 1996. It is aimed above all at consolidating the social area, creating conditions for economic stabilisation, easing the inflation processes and helping stabilise material production.

The document envisages the redistribution of over 47 per cent of gross domestic product. The total budget deficit is planned to be cut to six per cent. Subsidies will decrease. Deputies believe that the country's budget should include all the extrabudgetary funds, also those of local councils at every level.

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In order to increase budget revenues, tariff preferences will be denied from January 1996 to all legal and natural persons importing any goods, raw materials and equipment, except for those used for the needs of production. Tax on citizens' realty and payment for licenses for the manufacture and sale of alcoholic beverages and tobacco products are introduced.

Expenditures under the budget will be cut considerably. 35 per cent of the total volume of expenditures will be for social needs of the population. All the concessions in the payment for the housing and communal services will be lifted in 1996. The bulk of spending will be for the national economy and restructuring, the development of the agroindustrial and the fuel-and-energy complexes, transport and science-intensive industries. It is also planned to cut the spending on defence and on the maintenance of state government bodies.

Environmental 'Disaster' in Dnepropetrovsk

WS0707101395 Dnepropetrovsk DNEPROVSKAYA PANORAMA in Russian 27 Jun 95 p 2

[Article by S. Haydydey, deputy head of the Dnepropetrovsk Oblast Council Environmental Safety Directorate: "Environmental Protection is the Sister of Economy"]

[FBIS Translated Excerpt] While analyzing the current environmental situation in Dnepropetrovsk Oblast, one has to conclude that the Dnepropetrovsk region has become an environmental disaster zone. The number of new problems is unfortunately increasing constantly. Among these problems, one must particularly emphasize the dangerously high concentration of industries producing toxic waste, the profound economic crisis accompanied by a decline in technological discipline, and the insufficient financing of environmental protection facilities.

No matter how strange it may seem, the opinion that the environment and economics are incompatible, or even contradictory, still prevails in our society. The following quite popular idea is sometimes voiced: We have to concentrate on resolving economic problems, and put aside environmental problems for the time being. This is explained by a lack of budget funds and the economic crisis.

They are sometimes even trying to prove that a decrease in production will curb environmental pollution, and that payments for resources and fines are deteriorating the already difficult economic situation of companies. The following old principle of management is thus persistently being maintained: Economic development should be achieved at any price. Here is a fact to prove that the price is very high: The birth rate in Dnepropetrovsk Oblast has been negative for several years now. Who will need a developed economy in several decades?

We also have to take into consideration the fact that a decrease in production will not reduce the level of environmental pollution. This again provides grounds to maintain that, during the Ukrainian economy's transformation into a free market economy, an economic mechanism for utilizing natural resources should become an inseparable component of a state mechanism for protecting the environment. The fewer raw materials and less energy a company consumes, the more profit it reaps and the less waste it produces. As everyone knows, an uncontrolled accumulation of various types of waste, including toxic waste, can have dangerous consequences for the environment in the immediate future, including emergency situations. This is why the most progressive method of converting companies' waste into profits should be introduced everywhere. There is only one way to do this — to use waste as part of technological cycle, to introduce processes which produce less waste, and to increase the share of useful components while reprocessing raw materials.

This is one of our most urgent and difficult problems. Around 300 million tonnes of industrial waste were accumulated in our oblast in 1994 alone, one-third of which was toxic waste. In addition, around 4 million cubic meters of solid household waste is produced annually, which is held at 224 dumps and partially burnt at a heat treatment plant. Since the overwhelming majority of the dumps do not meet sanitary norms, in terms of construction and maintenance, they represent potential hotbeds of environmental pollution. Insufficient attention is being paid to such facilities in the regions, and as a result we all pay for this with our health.

Taking into account the importance of this problem, the Dnepropetrovsk Oblast Executive Committee issued Resolution No. 101 "On the Situation and Measures for Reprocessing, Collecting, Locating, Storing, and Utilizing Waste in the Oblast" on 19 May 1995. A progressive program for minimizing, rendering harmless, and utilizing industrial waste is being introduced at companies. To resolve these issues, it is necessary to coordinate efforts and capacities of scientific and industrial companies and organizations. [passage omitted]

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Economic Issues

Kuchma's German Business, Commercial Contacts Reported

WS0707090695 Lvov INFOBANK in English 0740 GMT 7 Jul 95

[From the "News Service" feature]

[FBIS Transcribed Text] BONN/FRANKFURT-AM-MAIN — During a meeting with German businessmen in the offices of the German Kommerzbank in Frankfurt-am-Main, President Kuchma said that he will soon sign a decree "On the privatization and rental of non-agricultural land for business purposes." This, in his opinion, will help bring new foreign investors into Ukraine's economy. President Kuchma named four economic spheres in which Ukraine is most interested in working together with Germany: 1) the newest technologies possessed by Ukraine in the areas of cybernetics, chemistry, material sciences, electric welding, rocket technology, and space communications systems; 2) basic branches of the economy - metallurgy, the manufacturing of motors, tractor-building, and the car and instrument-making industries; 3) the energy sector and energy-saving technologies; 4) the application of the most advanced German technology in Ukraine's agricultural industrial complex. According to information provided by the German DPA agency, in 1994 Germany exported goods worth 1.8 billion DM to Ukraine while Ukrainian imports in Germany did not even reach 0.5 billion DM.

During a speech given to German businessmen and financiers, Leonid Kuchma said that Ukraine could effectively make use of close to $30 billion in foreign investments in the coming years. In addition, at a press conference in Bonn Chancellor Helmut Kohl told journalists that no new agreements regarding German aid or economic assistance to Ukraine were signed at any meetings which took place during the visit. Only one inter-governmental agreement on the avoidance of dual taxation was signed. Ukraine's minister of foreign economic relations and trade, Serhiy Osyka, said after the signing ceremony that Ukraine is the first CIS country to have signed such an agreement with German. In his words, similar agreements have already been ratified with Great Britain, the United States, Finland, Poland, Belarus, and Uzbekistan, and agreements regarding the avoidance of dual taxation are being prepared with another 30 countries.

German Firms Plans To Decommission Chernobyl

LD0607200895 Moscow INTERFAX in English 1748 GMT 6 Jul 95

[FBIS Transcribed Text] MUNICH, July 6 (INTERFAX-UKRAINE) — Ukraine's Environment and Nuclear Safety Minister Yuriy Kostenko and officials of German companies have discussed plans of decommissioning the Chernobyl nuclear power station.

Kostenko told journalists in Munich that the possibility of combining various plans offered by ABB and Siemens has also been discussed.

Ukraine had earlier submitted to the G-8 group of most industrialized nations a plan of constructing two steam-gas generators in the vicinity of Chernobyl to compensate for the closure of the nuclear power station. The Swedish-Swiss concern ABB provides technical assistance to the plan. Meanwhile, Siemens, Germany has signed a memorandum with the Ukrainian Energy Ministry about an overhaul of Ukrainian coal-burning power stations.

The Siemens projects ignores the need to provide jobs for the Chernobyl nuclear power station personnel, Kostenko said.

He explained that a new plan is being drafted under which a steam-gas power plant would be constructed in the vicinity of Chernobyl at an early stage of decommissioning the nuclear power station.

He said that a station can be constructed which would burn gas at the first stage and coal at the next stage. Its efficiency will be nearly 58%, which is very high, Kostenko noted.

A combined project will enable Ukraine to resolve the financial issues in implementing these proposals, he emphasized.

According to Kostenko, the Chernobyl nuclear power station cannot be closed down before numerous steps are taken which includes resolution of social problems as well as construction of compensating stations and making safe the ferroconcrete cap over the fourth power unit, destroyed by the 1986 nuclear disaster.

Kostenko added that once the decision about the closure of the nuclear power station and discontinuing the construction is known, its personnel will quit and there will be nobody to carry out the decommissioning of the station or to keep it safe.

He also said that Ukraine will invite a tender shortly for construction of a plant to process nuclear waste. In Kostenko's words, ABB, Siemens and Westinghouse,

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U.S. will take part in the tender. The results of the tender will be announced at the end of the year.

German Firm To Undertake Projects in Odessa

LD0607170195 Moscow ITAR-TASS in English 1624 GMT 6 Jul 95

[By Gennadiy Temnenkov]

[FBIS Transcribed Text] BONN, July 6 (ITAR-TASS) — An agreement on cooperation was concluded between Ukraine and the German concern "Deimler-Benz Aerospace" (Dasa) within the framework of the visit to Germany by Ukrainian President Leonid Kuchma in Munich today. The document, signed by Ukrainian Vice-Premier Roman Shpek and chairman of the board of Directors of Dasa Manfred Bischoff, envisages the implementation of a number of projects costing about 500 million marks.

There are plans to implement a programme of the development of Odessa's transport and communication infrasturcture. In particular, Dasa intends to assist in enlarging the local airport, construction of an underground railway and modernization of the city telephone network. Black Sea harbours in the area of Odessa will be equipped with the latest navigational equipment.

Dasa will also participate in technical reequipping of Ukraine's airlines. The state-owned "Air Ukraine" will receive three "Dornier-328" passenger aeroplanes from the German side in 1995, which will be used on regional routes. Besides this, Dasa has shown interest in the project for enlarging the "Kiev-Borispol" airport.

Meanwhile, ITAR-TASS correspondent Gennadi Kulbitski reported from Bonn that Ukrainian misnister for the environment and nuclear safety Yuri Kostenko accused leaders of the world's seven industrially advanced countries (G-7) of insisting on shutting down the Chernobyl nuclear power plant, but getting away with only general political assurances without providing any financial assistance to Kiev. In an interview with the influential German weekly "Zeit", he noted "Ukraine needs billions of U.S. dollars over a period of 30 to 50 years to resolve the problem of shrouding the Chernobyl nuclear power plant".

Replying to a query as to what Ukraine will do if Western financial aid is not received, the minister said "In that case we will have the right to resolve the problem as we think fit. The West wants us to close down two Ukrainian nuclear reactors. But behind these demands are obviously hidden the West's own economic interests", he said.

Moroz Complains of 'Critical' Economic Situation

LD0607152095 Moscow ITAR-TASS in English 1408 GMT 6 Jul 95

[By Nikolay Setunskiy]

[FBIS Transcribed Text] OTTAWA, July 6 (ITAR-TASS) — "The economic situation in Ukraine remains difficult," Ukrainian Prime Minister Aleksandr Moroz told the 4th session of the OSCE Political Assembly here on Wednesday [5 July].

"We still do not have our own intergrated economy and domestic market. Huge difficulties were caused by growing prices for the oil and gas, which Ukraine imports, and the existing extremely power-consuming industry. We must add to all this the rupture of our traditional economic relations, absence of the necessary state institutions and market infrastructure, painful mistakes in the selection of ways to implement the economic reforms," Moroz pointed out. "All this," he added, "are component parts of the situation which is now regarded as critical. It has produced a marked reduction of the gross domestic product and has impaired the people's living standards."

"Hence, the main thing for us today is to use the country's powerful economic potential to form its internal consumer market, to protect the home producers, and to create an integrated modern economy," the Prime Minister stated.

Moroz further dwelt on Ukraine's current priorities, linked with the achievement of this goal. "Their solution," he stressed, "requires large investments, including foreign capital. Such investments are quite promising, because the state's untapped potential is truly tremendous."

Parliament members from Georgia and Azerbaijan also told the Assembly about the serious difficulties experienced by their countries in the effort to switch over to a market economy.

Tax Breaks for Foreign Investors in Economic Zone

WS0707090895 Lvov INFOBANK in English 0740 GMT 7 Jul 95

[From the "News Service" feature]

[FBIS Transcribed Text] SIMFEROPOL— Foreign investors in the newly created Sivash special economic zone will be exempt from all taxes for two years, while domestic companies will enjoy 60 percent tax deduction for 5 years, announced Serhiy Kunitsyn, Head of the Administration of the special economic zone, at the July 5 news briefing. According to his words, the

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Dnipropetrovsk-based PRIVATBANK has already decided to open a branch in the zone. Citing President Kuchma, Mr. Kunitsyn noted that the success of this pilot project will open the doors for other free economic zones, and the failure will make it difficult to launch other similar projects.

Preliminary Approval of Law on Income, Property

WS0707095495 Kiev INTELNEWS in English 0318 GMT 7 Jul 95

[FBIS Transcribed Text] Kiev, July 5 — A law given preliminary first reading approval by Parliament Wednesday would require extensive reporting of many kinds of individual income and property.

The law drafted by the Cabinet of Ministers was approved only after deputies from the Reforms, Statehood, Agrarians for Reform and Rukh factions ended the boycott they started Tuesday in protest over First Deputy Speaker Oleksandr Tkachenko's leadership in Parliament and his conduct during a General Prosecutor's Office criminal proceeding against him for interference into an investigation of the Land and People agricultural association he founded.

According to the bill, citizens of Ukraine and non-citizens residing on Ukrainian territory at least 183 days out of the year should submit to territorial tax inspection offices declarations of their incomes by Nov. 1.

The draft says that incomes gained from Jan. 1 to Sept. 1 must be declared, as well as ownership of houses, land plots, transport vehicles, securities and the other property, if the average market price of every item or common price of one-type items exceeds 50 non-tax minimum incomes set by Ukrainian law as of Sept. 1.

At the same time, Parliament rejected Wednesday a bill, worked out by right centrist deputy Stephan Khmara, according to which the cabinet should draw up a law requiring citizens to declare houses, apartments, dachas, garages, land plots and other estate property.

The Khmara draft also proposed that citizens also declare cars, motorcycles and other transport vehicles.

The bill would have also required declaration of all moveable property valued more than 10,000 minimum wages or more than US$ 4,000, and securities with a nominal value higher than 1,000 minimum wages or US$ 400.

Foreign citizens, according to Khmara's draft, would also have had to declare securities valued more than US$ 400 and bank deposits worth at least US$ 2,000.

Khmara's draft and a similar bill proposed by two members of the Socialist faction, would have also required declaration of all incomes and property gained after Aug. 24, 1991 — the day Ukraine declared independence. Both Khmara and the Socialists cited the need to fight corruption in making the recommendation.

The bills would have also required publication of the declarations of all top officials, including the president, Prime Minister and Cabinet of Ministers members, the head of the State Property Fund, Parliament Speaker in Holos Ukrayiny (Parliament's newspaper) and Uryadovvy Kuryer (the government's newspaper).

Discussion of the bills in Parliament was not broadcast.

'Experiment' With Gas Payments Criticized

WS0607142795 Kiev DEMOKRATYCHNA UKRAYINA in Ukrainian 4 Jul 95 pp 1-2

[Article by Iryna Chemerys: "A Pipeline Solo"]

[FBIS Translated Text] **After Ukraine had gone through the humiliating, though financially convenient procedure of restructuring the debt for Russian gas, the leadership decided to start a "new life" beginning next Monday [10 July]. A new system of gas deliveries of gas to consumers and a new system of payments for it were introduced on 1 April. As all "revolutions" on the scale of an entire branch, the replacement of the old system with a new one had both its advocates and opponents.**

First of all, however, it is worth explaining to what degree the change in the system of payments is influencing the appearance and accumulation of domestic consumers' debts for received gas, as well as this year's debt to Russia. In the long run, it is impossible to define this influence in our specific conditions, since industrial and private gas consumers are currently suffering primarily from the financial crisis. It makes no difference for them whom they have to pay, since they have no money anyway.

To use a banal comparison, the vivifying force of money is similar to the vivifying force of water in irrigation canals. So, no matter how carefully, accurately, and perfectly a canal is dug, it will not improve a wasteland if it is not filled with water. If the old system of payments had been worthless, the issue of its replacement would not have arisen. But the old system had been efficient for many years, and had not generated any suspicions, until something happened to our economy.

One can sum up all of this by citing one experienced gas industry employee: "One should not blame the government because it rushed to replace the old system, since payments for gas decreased so dramatically in the first quarter, that nobody knew what to do to improve

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the situation." I would run a risk of claiming that they indeed did something by introducing, as always, an experimental mechanism. Now it is interesting to see whether or not the experiment succeeded.

According to the old system, payments for gas were conducted parallel to gas deliveries. A similar situation exists in Germany and France. Payments for consumed electricity are made according to the same system. This means that the "Ukrhazprom" share holding company used to buy gas from Russia's "Gazprom" share holding company, transport it through a gas main to gas distribution stations — which were the property, or gas transportation network of the "Ukrhaz" corporation — and then would sell it to the latter corporation. And it was "Ukrhaz" that delivered the blue fuel to every consumer, collected money for it, and paid "Ukrhazprom." The latter, in turn, would pay "Gazprom." When payments became completely sporadic, "Ukrhaz" was accused of operating inefficiently regarding the collection of debts, and all accounts were handed over to "Ukrhazprom." And they began waiting for a miracle.

The new system was supposed to cause this miracle. It was logical, at least at first glance. The state-run "Ukrresursy" share holding company is supposed to buy all gas (both Russian and Turkmen), and sell it to consumers, thus receiving money to pay Russia. This means that, ideally, one organization is burdened with all the financial headaches. "Ukrhazprom" and "Ukrhaz" are supposed to conclude agreements with consumers only on transporting gas.

It has proven that the system is not ideal — "Ukrresursy" is currently at the protracted stage of its own establishment, and it will hardly cope with deliveries of 11 billion cubic meters of Turkmen gas (the Turkmens have recently completely stopped supplying gas, since "Ukrresursy" has not paid for deliveries), not mentioning deliveries of Russian gas, which are five times as large. This main task has been reserved for "Ukrhazprom," as was the case before. According to Presidential Edict No. 109 dated 7 February 1995, however, beginning 1 April, "Ukrhazprom," instead of "Ukrhaz," started collecting payments for gas. There is the opinion that a company which pays Russia directly will treat the collection of payments more responsibly. Since according to this system "Ukrhazprom" buys gas in Russia, immediately sells it to consumers, as well as regularly and efficiently collects money from them, the last process was thus supposed to proceed better.

Advocates of various systems of payments will certainly find arguments in favor of all of them. Theory, however, is one thing, and in practice, as everybody knows, everything depends not only on the reliability of a system, but also on specific circumstances. For example, the structure of "Ukrhazprom" was not designed to switch to servicing 110,000 legal and almost 8,000 natural persons — consumers of gas. It had to conclude agreements with them, and while the company has managed to do so regarding industrial consumers, it has not yet come to terms with all oblast executive committees (that is the population — consumers of municipal and everyday services).

There are two reasons why this has not happened. On the one hand, oblast executive committees have always dealt with oblast gas companies, which have been assuming responsibility for the population's nonpayments. Second, local executive authorities are aware of the hopelessness of the battle against nonpayments. There are no efficient levers to make the population pay. This is not a plant, which surrenders if somebody cuts it off from gas (though not everything is so simple with plants either). Naturally, they improved discipline with the beginning of the anti-debt campaign. At least, a situation, which was very typical last year and in which a company paid foreigners several millions of dollars for certain technology, at the same time leaving bills for consumed gas unpaid, is currently quite rare. Incidentally, the amount of money paid for consumed gas has increased from 12 to 35 percent over the last two months. As the reason behind this, however, specialists are naming a radical method of combating nonpayments, that is cutting off gas, and not the replacement of the system of payments, which, just the opposite, introduced confusion in relations between consumers and suppliers of gas.

Will this 35 percent insure us against the accumulation of debts? The following are domestic consumers' debts for natural gas: As of 1 April 1995 — 132.8 trillion karbovantsi [K]; as of 1 June 1995 — K194.5 trillion; and as of 15 June 1995 — K206.3 trillion.

It has recently been reported that this year's debt to Russia has decreased to $29 million, and current gas deliveries were paid in full in April, May, and the first week of June. The justifiable delight over "Ukrhazprom's" success should be shared with the Ministry of Finance, since as everyone knows, if domestic consumers' debts increase, one settles accounts with Russia's "Gazprom" only with the help of the Ministry of Finance. It was actually the ministry that finally repaid our debts using budget subsidies at the end of May.

The following question arises: Would the results have been more significant if budget subsidies and the merciless anti-debt campaign had been laid out not in an experimental but well-prepared foundation (if they had become a component of a stable and well-grounded sys-

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tem of payments)? This is hardly a rhetorical question, since the issue of the expediency of experiments has not yet been taken off the agenda, and, as I have learned, the search for the optimum answer is still under way. Many acclaimed economists are currently admitting that the experiment was a failure. In the opinion of Mykola Rudkivskyy, main specialist from the Presidential Administration Directorate for Economic Issues, it is never too late to correct the system of payments for gas, meaning to give "Ukrhaz" back the right to conclude agreements on the sale of gas, though it is better to do this as early as possible.

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Belarus

Lukashenka Reviews One 'Hard' Year in Office

LD0607191295 Moscow INTERFAX in English 1700 GMT 6 Jul 95

[From the "Presidential Bulletin" feature: by Nikolay Zherebtsov, Andrey Petrovskiy; edited by Vladimir Shishlin]

[FBIS Transcribed Text] The Belarusian president is interviewed by INTERFAX's Vyacheslav Zenkovich.

[INTERFAX] Aleksandr Grigoryevich [Lukashenka], it will be exactly one year on July 10 since you were elected president. What are the results of that year?

[Lukashenka] I have never had such a hard time. I have been under continuous strain during that year. On the other hand, life has not been easy during the last five years since I was appointed chairman of parliament's anti-corruption commission. It was a time of struggle, I don't know for what. One could expect support in the Supreme Soviet but did not find it. What I had was confrontation which culminated in illegal disbandment of the commission by those who now accuse me of infringement on the Constitution.

I did not win the elections because the people expected me to work miracles. Miracles are possible in a factory or collective farm but not in a country. The people believed me as an honest man who would bring in an honest team.

I believe that I really care for the state. Throughout the year I tried to make life better for the people. Even when I took unpopular steps I hoped that the people should not feel disappointed in me, a man they elected.

No, life has not become easier in Belarus in this year. But I don't doubt that whoever had won the elections, he would not have made it easier than it is now. But this is not for me to make judgment. I can only say that the price of sovereignty and independence is very high. We have to pay for oil, gas and other resources at world rates. For this reason consolidation of our independence has been a trying time for our people.

I do not regret it. It happened so that the Soviet Union, a great country, collapsed a few years ago. The people will make their judgment later whether it was a good country. All the republics wanted to become sovereign and Belarus has been working during that year for stabilizing the economy in order to protect its right to be independent.

The stability we have won is not easy. Six months ago I was criticized for inflation which raged at 50 percent a month. The ruble was falling at a disastrous rate. The wages could not keep pace with the prices. In my electoral platform fighting inflation had been the top priority. I delivered on my promises. The ruble has stabilized, there is no inflation to speak of. The prices of certain goods such as butter have nearly halved. A kilogram of butter was sold for 50,000 rubles but now, at 27,000 to 30,000 rubles.

Inflation has been brought under control by purely market techniques. This has been acknowledged by the International Monetary Fund. What is more, the National Bank purchases hard currency in the interbank currency exchange to back the dollar. At the beginning of the year the National Bank's reserves were $2 million. Now they are 100 times that.

Businessmen and state industrialists don't welcome a stable ruble. The former want our currency to lose value so as to obtain "inflationary profits" and the latter, to continue shoddy work and to be able to attribute their miscalculations to inflation. The International Monetary Fund and our National Bank have been pressurizing me into devaluing our national currency. Paradoxically, the "market-oriented" IMF and NBB chairman Stanislav Bogdankevich want me to use non-market techniques. Why on earth do we have to devalue the national currency? True, exporting factories would gain but would the people gain by inflation and price rises. Because once the Belarusian ruble starts falling, the prices of fuels and other imported goods will rise. As a result, retail prices would skyrocket. I cannot do that. We cannot let our exporters benefit at the expense of impoverishing the population.

The stabilization of the national currency has improved the living standards. Banks have won back the confidence of the people who now deposit their money there without fear that it will lose its value.

At a meeting I had with heads of banks a decision was made that the entire banking system of the republic will be reformed in a purely market way. Instilling order in the financial market is my primary concern now.

The year of my presidency was very hard for me and the Belarusian people. For me it was hard physically and morally. For the people it was a year of hope and faith.

A referendum, unprecedented in our history, was held. Its results can be interpreted in various ways but its significance cannot be overestimated. Unfortunately, as few as 120 members of a new parliament were elected. To have a legitimate parliament, new elections will have to be held next November.

I wouldn't like to be engaged in an argument over who won or lost. If the "left," agrarians and communists,

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who won a vast majority of the seats believe that they scored a victory over the "right," I want to tell them that they will have to continuously prove to the people for five years that their choice was right. If the members of the old Supreme Soviet who were not elected to the new one believe that they are the winners because a new parliament has not been formed, I will tell them that what the country has is an illegitimate old parliament and a powerless new one. As the president I was prepared to deal with the new parliament, but the old Supreme Soviet did not want it. On the other hand, I feel that the new MPs are not eager to work.

I am unhappy about the waiting game we are witnesses of. The latest decision taken by the Supreme Soviet Presidium about calling the next parliamentary session next September to discuss 63 items on its agenda shocked me. I hope that the MPs will understand that this decision suits only the presidium members and the Supreme Soviet personnel who are paid for doing nothing at all. This is the blunt way to summarize the situation.

What strikes me is that nearly 70 deputies of the old parliament asked me to find jobs for them and simultaneously voted, counter to my policies, for calling the old parliament into session. Did they forget that we came to an unofficial understanding that the old Supreme Soviet will be convened only in emergency or if some presidential decision will need approval.

Their behavior shows that somebody wants to disturb the peace in our country and destroy what the president and his government want to preserve. I don't intend to frighten anybody but I will strike back at these people politically.

The trouble spots in the republics of the former USSR emerged as a result of the activities of politicos and political groups rather than because the peoples so desired. Peace is Belarus's largest legacy and maintaining it is our primary concern.

I have signed several regulations recently that allow honest entrepreneurs to privatize state property. Numerous businessmen who had "captured" certain factories and even industries before my presidency have been actively trying to influence the government's economic policy. I oppose this. People are unaware of a confrontation between the president and businessmen who are using every trick in the book to "capture" factories. But I am convinced that the state sector which we have protected from plunder will be very useful to the country sooner or lager.

In particular, the agricultural production fell by 20 percent in Belarus in the spring of 1995 but still there was too much meat, butter and other goods for our market. My forecasts that the situation will change before next fall and Russia will purchase food in Belarus have been confirmed. Moscow Mayor Yuriy Luzhkov is prepared to buy $2 million worth of foodstuffs and pay for them in advance. The infinite Russian market would consume as much food as Belarus can produce. Should I yield to the pressure mounted by certain politicos and let collective and state farms disintegrate, we would have no food to export.

Arguments were heard a year ago that defense factories have to cease the manufacture of electronics and most sophisticated military technology and start making saucers. I rejected that and was right because now the defense factories have a lot of contracts.

My impression is that somebody tried to destroy the Belarusian economy in order to get rid of competitors on the defense market.

I believe that within six to 12 months the dust will settle down and we will see that numerous errors have been made throughout the post-Soviet space which brought about bloodshed and destruction. These errors have to be remedied. This is a conclusion made by numerous CIS leaders.

I will take numerous unpopular steps soon but I am convinced that the people will appreciate them. For instance, in a country whose population is 10 million, seven million enjoy benefits, or receive state aid. This is absurd. The Supreme Soviet has discussed the issue but made no decision. Somebody has to remedy the situation. I decided to do so by drastically cutting the number of groups which are covered by the benefits.

I as the president and my government have given up all benefits. The MPs will have to do so, too. The worker cannot afford to feed that many beneficiaries.

'Special Police Unit' To Protect Oil Pipeline

LD0607135895 Moscow INTERFAX in English 1234 GMT 6 Jul 95

[FBIS Transcribed Text] MINSK, July 6 (PIA-INTERFAX) — Belarus will set up a special police unit for protecting the oil main through which the country receives Russian petroleum products.

Director of the Belarusian Interior Ministry Department for Fighting Economic Crimes Gennadiy Terenya told INTERFAX Petroleum Information Agency that the Belarusian special police unit would be created in Orsha, Vitebsk Region of Belarus.

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Terenya said that "the oil pipeline lying via Belarusian territory belongs to Russia" though its status had not yet been defined in Belarusian legislation.

Terenya said this move was needed because of the serious losses for Russian oil workers from Belarusian thieves. In 1994 Russia lost in this fashion a total of 921.7 million Belarusian rubles (a little over $80,000).

The creation of the special police unit was initiated by Russia, which will pay all expenses for its upkeep. Terenya said the special unit would fight against criminal groupings who periodically tap into oil pipelines. A total of 43 incidents involving the theft of diesel fuel and gasoline from oil pipelines, by drilling holes in pipelines, were registered in 1994.

Fifteen similar incidents were reported in 1995. Terenya said the oil pipeline was mainly being tapped by specialized criminal groupings of 10-15 people. He said these criminal groupings had a well-developed system for selling stolen fuel. Terenya said that even whole firms had been created for selling the stolen fuel.

Moldova

Snegur on Chisinau-Tiraspol Talks on Dniester

LD0607192895 Moscow INTERFAX in English 1700 GMT 6 Jul 95

[From the "Presidential Bulletin" feature: compiled by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] "Chisinau and Tiraspol want to solve the major political issue, to grant a special juridical status to the Transdniestrian region," President Mircea Snegur declared in an interview with INTERFAX Wednesday [5 July] after his negotiations with Transdniestrian leader Igor Smirnov.

"The tension and irreconcilability which was present three years, ago after the armed conflict, disappeared at our last meeting," Snegur said.

Chisinau and Tiraspol signed an agreement on peace and security guarantees and a document which contains proposals on mutual relations between Moldova's and Transdniester's fiscal systems. The parties pledge "not to use military force and not to render political, economic or any other form of pressure with respect to each other in their mutual relations and to abstain from participation in alliances, blocs, or any other organizations opposing each other."

Snegur and Smirnov, as well as head of OSCE mission in Moldova and representative of the Russian president, signed a letter addressed to Ukrainian President Leonid Kuchma with an invitation to participate in the peacemaking process in the Transdniestrian region in any acceptable form.

Snegur pointed out that "Moldova and Transdniester discussed the issue on the necessity of the Ukrainian party's presence in the peacemaking process in the region long ago because Ukraine is our nearest neighbor."

In addition, at this meeting the officials signed a document on mutual relations between Moldova's and Transdniester's fiscal systems. The first stage of this agreement provides for a parallel circulation of the Moldovan lieu and Transdniestrian ruble on the left-bank territory of the Dniester.

Snegur's and Smirnov's next meeting is scheduled for September 13. IF Note: At their July 5 meeting Snegur and Smirnov failed to find agreement on Transdniester's status. Tiraspol insists to recognize Transdniestrian Moldovan Republic as a state in within Moldova. Chisinau favors granting the status of an autonomy to this region.

In an interview with INTERFAX President of the National Bank of Moldova Leonid Talmach assessed signing of the document on mutual relations in Moldova's and Transdniester's fiscal systems as "an important political move to near Chisinau's and Tiraspol's positions."

(Despite Chisinau's protests in the first half of 1994 Transdniester printed 52 billion coupons in Russia at the State Monetary factory which were introduced into circulation last September - INTERFAX).

"Those macroeconomic reforms which are implemented in Moldova will be simultaneously carried out in Transdniester," Talmach reported. After that they will start the second stage which provides for transfer of all coupons, both cash and non-cash, in lieu in accordance with the single exchange rate which will be established on the basis of demand and supply.

According to Talmach, "as a result, everybody will win, both Moldova's economic agents and Transdniester's population. Integration of fiscal systems will promote to political integration," Talmach believes.

World Bank Official Lists Loans, Future Projects

AU0607125795 Chisinau INFOTAG in English 0920 GMT 5 Jul 95

[FBIS Transcribed Text] Chisinau INFOTAG, 5/7/1995 — In March 1995, the World Bank opened its office in Chisinau. Last week, its head, James F. Parks, the World Bank's resident representative in Moldova, held a briefing for journalists and reviewed the bank's activity program in Moldova.

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So far, the World Bank has granted four credits total worth $177 million to the republic. The first one ($27 million) was an emergency 1992 drought recovery loan. In 1993, the bank granted a $60 million rehabilitation loan to support the first phase of stabilization and reforms. In December 1994 the bank approved the allocation of a $60 million structural adjustment loan. In this past March, the World Bank approved a pre-export guarantee facility worth $30 million to ensure political risks for external creditors who will invest in Moldovan companies to back their export-oriented activities.

Currently, the World Bank is negotiating a series of new important projects with the Moldovan Government.

An energy project is targeted on the rehabilitation of the energy sector's infrastructure, bettering the financial state of energy enterprises, and control over consumers' timely payments.

A private-sector project is to render credits to private enterprises through Moldovan commercial banks. It is aimed at strengthening the financial system and prudential regulation in this field, and restructuring of insolvent enterprises.

A series of medium-term projects in support of agricultural, social, and private sectors are being negotiated. One more project is supposed to render support for land titling and cadastering, with an emphasis on urban areas.

Finally, the World Bank and the Moldovan Government are preparing a project aimed at promotion of Moldovan exports.

National Bank Writes to IMF on Currency Convertibility

AU0607125395 Chisinau INFOTAG in English 0920 GMT 5 Jul 95

[FBIS Transcribed Text] Chisinau INFOTAG, 5/7/ 1995 — Moldova has joined the obligations of Article 8 ("General Obligations of Members") in the Articles of Agreement of the International Monetary Fund [IMF], the president of the National Bank of Moldova, Leonid Talmaci, has informed in his letter to Michel Camdessus, IMF executive director.

"This step has a particular significance for our country," Talmaci wrote. "Since the moment the national currency unit, the Moldovan leu, has been introduced, the National Bank has been conducting a policy aimed at consolidation and stabilization of the national banking system. Parallel with that, the National Bank has gradually undertaken liberalization measures in the field of currency restrictions.

"In 1993, the republic has canceled the practice of using three different quotations of the Moldovan leu to convertible foreign currencies. In the same year, the National Bank has introduced the official quoting of the Moldovan leu to foreign currencies based on the results of auctions held at the Interbank Currency Exchange. In the current year, the National Bank has been quoting foreign currencies daily. During the period in question, Moldova has removed practically all restrictions in purchasing foreign currencies at the currency market by economic agents and real persons. Economic agents [companies] are no more compelled to sell their foreign-currency revenues to the state. Regulations for exporting and importing currencies have been considerably simplified. And maximum liberal rules of keeping foreign currencies in Moldovan banks have been introduced."

The letter stresses that the trust of the population and economic agents in the national currency is based on the stability of the leu to other foreign currency, which is proved by ever growing monetary deposits in Moldovan banks, despite diminishing interest rates, and by massive offers of foreign currencies at the Moldovan currency market.

All this served a prerequisite for the national bank's signing Article 8 of the IMF's Articles of Agreement. The fulfillment of that article by Moldova signifies that the world community has recognized the leu as a convertible currency unit.

The latest national bank-adopted supplement to the Rules of Currency Regulations on the Territory of Moldova has removed the last of existing restrictions on making payments and transfers at current international transactions, i.e., export and import operations. Thus, any economic agent is free to buy foreign currencies at the Moldovan currency market through commercial banks to import goods and/or pay for services rendered by non-residents. Any non-resident, upon having received loans from foreign creditors and registered them in the national bank, may purchase currency to repay the loans and interest. The non-resident, which invested in the Moldovan economy, shall be free to transfer in any currency his incomes earned in the country.

Currently, Moldovan exporters may sell their incomes obtained in foreign currency, and they are not forced to keep the money on bank accounts where interest rates are generally low. At any moment when they need currency, they may buy it.

Moldovan citizens may also buy and sell currency, may carry in cash or transfer it abroad — e.g., to pay for tourist services, medical treatment, or course of studies, Leonid Talmaci's letter reads.

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After Estonia and Kyrgyzstan, Moldova has become the third former Soviet Union-member country which has recognized the obligations of Article 8. So they have joined the group of more than 100 countries across the world which had recognized the article and whose currencies are now considered fully convertible.

Various sections of Article 8 envisage avoidance of restrictions on current payments, avoidance of discriminatory currency practices, convertibility of foreign-held balances, furnishing of information for the IMF, and the obligation to collaborate with the IMF and its members regarding policies on reserve assets.

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Kazakhstan

Ambassador to Moscow Explains New Draft Constitution

MK0607131095 Moscow KOMMERSANT-DAILY in Russian 6 Jul 95 p 4

[Report by Svetlana Sukhova under the "Political Reform in Kazakhstan" rubric: "Democracy According to Nursultan Nazarbayev"]

[FBIS Translated Text] Kazakhstan will shortly have a new Constitution. Tair Mansurov, Kazakhstan ambassador to Moscow, briefed journalists on the new draft yesterday. The Constitution proclaims all democratic rights and freedoms, declares Kazakhstan a presidential republic with a bicameral parliament, and recognizes only one — Kazakhstani — citizenship. It also introduces the institution of private ownership of land. What is most noteworthy, presidential powers have been considerably broadened. "An iron hand in a velvet glove" is clearly discernible behind every line of the Fundamental Law. As Nursultan Nazarbayev himself puts it: "An orchestra must have one conductor."

The new Constitution calls the president a "symbol and guarantor of the unity of the people and the authorities." Any Kazakh between 35 and 65, who fluently speaks the state language (Kazakh) and who has resided for at least 10 years in the republic may become such a "symbol." While retaining the principle of the division of powers, the main authority is vested in the president. He appoints the prime minister, the government, the heads of the National Bank and the Accounting Committee for Supervising Execution of the Budget, ambassadors, and makes decisions on holding referendums. According to Mr. Mansurov, the delegation of broad powers to one person poses numerous dangers. For the president has the right to dissolve the parliament or the government after a token consultation with the Constitutional Court. The Constitutional Court, however, may declare a presidential edict unconstitutional. The parliament, for its part, may impeach the president — in the event of the president's illness or "high treason." The impeachment procedure also poses dangers for the legislators themselves: If they fail to come to a decision within two months after throwing down the gauntlet to the president, the parliament will be dissolved. Furthermore, the deputies cannot impeach the president "in retaliation" (that is, after the event) for dissolution.

As a matter of fact, according to Mansurov, articles of the Constitution devoted to the organization of parliament have been subjected to the most drastic changes. This is only understandable: the new Fundamental Law will be passed in the absence of the legislature, which was dissolved by Nazarbayev last March). As Mansurov put it, the first two parliaments were "unwieldy" (350 and 178 deputies respectively) and "incapable of action." During the last year of deliberations seven laws were passed, whereas the president enacted more than 50 pieces of legislation after the parliament had been dissolved. Under the new Constitution, the parliament will have 102 seats: 47 deputies of the upper chamber (seven of them will be appointed directly by the president) and 55 members of the Assembly. The parliament's term of office will be four years, with midterm elections for a part of the deputy corps every two years.

The Kazakhstani leadership, unlike their Russian counterparts, ventured to introduce private ownership of land. Land has been proclaimed a commodity that can be bought or sold. But there is a restrictive clause saying that "If citizens have no money the process of purchasing and reselling land on a mass scale" cannot be started: Society is yet unprepared "for the global introduction of private ownership of land." Garden and subsidiary plots of land, and also land "required for enterprises' needs" are proclaimed private property. Only residents of Kazakhstan may be Kazakhstan citizens (formerly every ethnic Kazakh was entitled to apply for citizenship wherever he might live). The state language is Kazakh. But from now on Russian, too, may be used by government authorities alongside it. According to Mansurov, banning the use of the Russian language would be useless, given that only one-fourth of the republic's population speaks the native language, but everybody has a command of Russian.

The draft will be published one of these days for popular discussion. Till 30 July everybody will be able to submit his or her proposals. But Nazarbayev will have the last word all the same.

'Domestic Nationalism' Driving Russians Out

MM0607113595 Moscow ROSSIYSKAYA GAZETA in Russian 30 Jun 95 First Edition p 3

[Report by Lyudmila Masnaya: "Starting From Scratch. Displaced Persons Come to Russia From CIS Countries"]

[FBIS Translated Text] Yekaterinburg — In the year the Migration Service was formed (July 1992) over 2,000 refugees came to Sverdlovsk Oblast from all the CIS trouble spots. At that time they were mainly settlers from Tajikistan and Moldova. The following year there were 5,000 refugees. Last year the Migration Service registered 9,000 people. Now up to 1,000 refugees arrive in the oblast every month. Bearing in mind that not every newcomer applies to the Migration Service — some people simply do not know about it, others

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consider it demeaning to accept help from it and rely on their own efforts — this figure would be a lot bigger.

Kazakhstan is now the main "supplier" of refugees to the oblast. In the opinion of Federal Migration Service officials, Russians are being driven out of there subtly, in the oriental way. It is called domestic nationalism. Russians are increasingly hearing: "It is because of you that we are living poorly, go back to your own Russia...."

This is how a bank official explained his departure from Petropavlovsk: "According to a statement by the chairman of the National Bank of the Republic of Kazakhstan, his bank is a national bank and national cadres must work for it. I was therefore asked to leave my post as chief of an oblast branch of the National Bank. Virtually simultaneously another nine of my colleagues left their posts for the same reason. Kazakhs were appointed in our places."

In theory the status of displaced person confers advantages: the priority allocation of jobs at employment centers, a preferential place on the housing list, an interest-free loan of 4 million rubles [R] over 10 years.... Not everybody receives housing. Since the service was formed it has managed to provide only 100 apartments for the settlers. This is mainly communal housing.

Around R1 billion went on loans last year. Every month the service issues 60-70 of them. But this is clearly insufficient — four times as much is needed to build housing.

Refugees coming to Russia have the same feeling as Russians going to America. Russia seems like paradise to them, they agree to any conditions. But not everybody is able to meet these "any conditions" — in simple terms, to start from scratch.

Kyrgyzstan

Akayev Wants Minister, Government Chief of Staff Out

LD0607200295 Moscow INTERFAX in English 1738 GMT 6 Jul 95

[FBIS Transcribed Text] BISHKEK, July 6 (INTERFAX) — Kyrgyz President Askar Akayev demanded the resignation of transport minister Akmatbek Ablesov and government chief-of-staff Orozmat Abdykalykov. He told a meeting of heads of law enforcement agencies in Bishkek Thursday [6 July] that Ablesov had committed numerous offenses which have to be attended to. Akayev did not elaborate.

Akayev said that Abdykalykov facilitated leaks of extremely important state information to the media.

The president said that certain people in the government had tried to interfere with the National Security Committee.

He complained that numerous officials have several houses and cars and this is becoming the vogue.

Akayev said that the interior ministry bodies in Kyrgyzstan have been merging with criminal groups.

He criticized the government for failing in the program of fighting crime and corruption. Nothing is done, Akayev said, to deal with economic crimes.

He emphasized that the incomes of the grey economy account for about 9 percent of the gross national product amounting to about two billion sums, an equivalent of $200 million.

Economic Minister on 'Hard Way Out of Crisis'

LD0607164595 Bishkek SLOVO KYRGYZSTANA in Russian 29 Jun 95 p4

[Interview with Kyrgyz Economic Minister Talgarbek Koychumanov by unidentified SLOVO KYRGYZSTANA correspondent; date and place not given]

[FBIS Translated Excerpt] At the government meeting on 27 June, the results of industrial sector activity for the past five months were reviewed. We asked Economic Minister Talgarbek Koychumanov to express in detail the position he stated at this meeting. [passage omitted]

[Koychumanov] During five months of this year, the industrial sector used five percent more electricity than in the same period last year. The money mass in the republic as a whole increased by 11 percent in the first four months of this year, and in comparison with last year by twofold (1.7 billion som on 1 April 1995).

Wages increases in the industrial sector during the period January-May was 70.6 percent, and wages reached 517.5 soms [figures as received] in April.

One would think that with such indicators (when monetary mass is growing and production volumes falling) we should have a high inflation rate. In reality, in April it was 0.8 percent and in May 1.6 percent, with a 3.5 percent average in the period January-May.

[SLOVO KYRGYZSTANA] What are the reasons for such a discrepancy?

[Koychumanov] Indicators of a production volume decrease and a complete absence of deposits at enterprise accounts are not in accordance with the real situation. In fact, production volumes are probably higher. Just think: The export of goods in the first quarter of 1995 increased by 32 percent in comparison with the same period last

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year, but the proportion of industry has not changed — 98.8 percent in the first quarter of 1994, and 90.3 percent in the first quarter of 1995, which means that there is economic growth, because export increases cannot be achieved through nothing. However, economic improvements have not improved citizens' living standard.

There can only be one conclusion: A considerable part of production in the republic has gone out of the control of the state. A mighty shadow economy has emerged in the republic with its own laws, own turnover, and own rules of the game. That is where the roots of all nonpayments and tax nonpayments, as well as of credit nonreturns, are hidden. [passage omitted]

[SLOVO KYRGYZSTANA] Perhaps, under current market conditions, it may be preferable to use economic measures?

[Koychumanov] Of course, punitive measures are not enough to get the economy out of crisis. At the same time the economic mechanism should be improved. What does this mean?

First of all, there have been considerable, consumer-oriented trends in the reproduction process. According to information on the 1991-94 period, the proportions of accumulation in GDP continued to fall. If in 1991 it was 30.7 percent, then by the end of 1994 it was 21 percent — taking into account the accumulation of circulating assets. The accumulation of fixed assets also decreased considerably, from 17.2 percent to 12.8 percent.

As a result, a swift devaluation of the main productive factor, fixed assets, is taking place. In particular, amortization royalties at present make up about one percent in the structure of GDP, while even in the period of the Great Depression Americans did not allow the portion of amortization to fall below 9 percent of GDP. It has become profitable of late for enterprises to stop machines and equipments at main production line ("consuming fixed capital") and direct their means to small ventures and branches, as well as engaging in various commercial operations.

In our opinion, we were mistaken in not revaluing fixed assets for fear of increasing prices. Perhaps it may be expedient at present to raise the amortization portion in GDP to 9 or 10 percent. Thus we would receive means for investment. According to forecasts for 1996, revaluation of fixed assets could lead to price rises of 16-18 percent even at previous profitability, but the tax mass may even increase at the expense of improvements to production facilities and increasing production volumes.

The most important thing is to restore price parity in the key productive factors — for fixed assets and the labor force (at present the cost of assets is falling, while labor costs are rising)

A similarly uneasy situation remains in the agricultural sector, where the main fixed asset, land, as not yet acquired a real market value. As a result, the proportion of unused land has grown to a considerable size: up to 46,000 hectares according to official figures. However, if we take into account that this year 293,500 hectares of land instead of the usual 60,000-70,000 hectares have been laid fallow, it becomes clear that proportion of unused land is even larger. This circumstance once again confirms the need for a faster introduction of a land market based on private ownership. [passage omitted]

[SLOVO KYRGYZSTANA] Can you suggest ways out of the crisis?

[Koychumanov] First, it is necessary to increase as quickly as possible the accumulated portion of GDP, even if the nation's living conditions temporarily worsen. It includes internal capital investments with amortization royalties as well as foreign investments. It will result in improving employment and in the growth of the people's incomes, as well as of tax payments.

Second, changes in structural policy will require additional limitations on society for some time and a rationalization of budgetary expenditures, as well as a strengthening of social assistance. It is no secret that the shadow economy is a source of income for a part of population, and that is why we have to maintain only those in need.

Third, our calculations show that a 25 percent increase in accumulation assets of fixed capital in GDP in 1995 would allow the investment of an additional two billion soms in the production sectors, with minimal return-terms. Then we can maintain employment, and improve living standards at the same time.

If we really want to maintain the current standard of living for the most vulnerable part of the population (we have one million people on benefits), then we will have to cut budget spending in all other items.

It is necessary further to connect wage increases in the industrial sector with real results. In combination with the devaluation of fixed assets, it will lead to the transfer of capital to the production sector and, as a result, to an increase in employment.

Finally, the measures suggested by the Ministry of Economics are strict, and will hardly be popular. However, we should make a final choice between a long and agonizing way out of crisis, and decisive action for the final solution of our current problems in an orderly way.

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Turkmenistan

Niyazov Signs Joint Investment Contracts With Iran

MK0607130095 Moscow SEGODNYA in Russian 6 Jul 95 p 8

[Report by Elmar Murtazayev in the "Cooperation" column: "Iran and Turkmenia Have Signed a Gas Supply Contract. The Sides Reaffirmed the Need To Define the Legal Status of the Caspian"]

[FBIS Translated Excerpt] Turkmenistan and Iran have signed an agreement on delivering to Iran approximately 8 billion cubic meters of Turkmen natural gas till 1997. This is the main outcome of negotiations between Turkmenistan President Saparmurat Niyazov and Iranian President 'Ali Akbar Hashemi-Rafsanjani, which ended in Tehran 4 July. Before leaving the Iranian capital, Niyazov said at Mehrabad airport that this contract "has become the first move toward implementing the project of transporting natural gas from Turkmenistan to Europe via Iran."

Under the agreement, to transport Turkmen gas, a 2,500-km pipeline will be laid that will link the Turkmen and Iranian energy transportation systems. The overall cost of work will approximate $6 billion (the project financing scheme is so far at the development stage). In Niyazov's estimate, the pipeline will go on line in two years. [passage omitted]

In the course of the negotiations the Iranian and Turkmenistan presidents confirmed the need for the earliest possible definition of the new legal status of the Caspian Sea. A joint statement on the results of the visit stresses that "exploitation of the Caspian's resources is impossible before its legal regime is defined." The presidents also spoke in favor of continuing negotiations between the littoral states with the aim to achieve, as soon as possible, "full" accord on legal matters connected with the Caspian. They stated that "foreign states are not allowed to interfere in Caspian regional problems." During the talks the presidents agreed that Iran will provide assistance in building the Ashgabat-Merv (Mary) and Ashgabat-Badzhgiran (Iranian border) motorways, and also signed a number of agreements on joint investment projects in Turkmenia.

Article Views Relations With Iran

MM0707103795 Moscow SELSKAYA ZHIZN in Russian 27 Jun 95 p 3

[Article by Grigoriy Kolodin: "You Cannot Choose Your Neighbors"]

[FBIS Translated Text] When answering the frequent criticism of his state's alleged reorientation toward Iran, Turkmenistan's President Saparmurad Niyazov usually begins by citing the following figures. The Turkmen-Iranian border stretches for almost 1,500 km, and, in his opinion, only a short-sighted, dull-witted politician could choose a path other than striving to achieve good-neighborly, friendly relations with a neighboring country.

The Turkmen leader established good contacts with Iranian President Hashemi-Rafsanjani in the first month after gaining independence. They meet virtually every quarter and, according to S. Niyazov, their meetings are untainted by ideology. Practical interest comes first. With the severing of economic ties in the economic space of the former Soviet Union, Turkmenistan (which used to acquire up to 65 percent of the products it needed from other regions of the country) simply has to find a reliable partner in the shape of Iran. As S. Niyazov said in a conversation with journalists, Rafsanjani is also well aware of the benefits. He is perfectly well aware of the need to come out of many years of isolation, and stable Turkmenistan offers a more realistic way out for Iran than the explosive Caucasus. Meanwhile, Iran's economy, which has grown stronger in recent years, is finding it cramped in its present confines, so it has an acute need to penetrate the markets of Russia and other Eurasian countries. The prospect of solving two problems at once has now appeared: To sell Iranian agricultural produce in the north and to acquire metal, timber products, and a number of consumer goods which Iran needs.

What are the main results of more than three years of relations between Iran and newly independent Turkmenistan? At the top of local observers' list is successful collaboration on the most painful subject of all: the border. Tehran's negative attitude toward agreements reached with Stalin in the forties on the line followed by the state border and the regulation of border issues is well known. The conclusion of a treaty with Iran on observing these earlier agreements, on the border's immutability, and on the two countries' territorial integrity can be seen as one of S. Niyazov's indisputable diplomatic successes.

With the lifting of the Iron Curtain along the border, relatives separated by historical cataclysms on both sides have been able to find one another and meet regularly for the first time in decades. In order to facilitate this, and also to open several windows at once through which two-way trade can flow, the sides are constantly increasing the number of crossing points on the border. There are now five of them; one of them, in the small town of Artyk, can be reached by a branch line from the Ashgabat-Mary main railway line. Visa procedures for people living permanently within the

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30-km border zone have been considerably simplified. Preparatory work to organize joint bazaars on the border is underway. Recently, however, trade between the two countries has declined somewhat, after two years of rapid development. There are several reasons for this. Although Iranian consumer goods look attractive on the outside, they are in fact extremely mediocre in quality. The market is now oversaturated with them, so Iranian stores increasingly often stock goods from developed countries, the price of which is sometimes 1.5-2 times higher than average world prices as a result of transportation costs.

Agricultural produce is in great demand. At first, the Iranians very actively supplied the Turkmen market with potatoes, other vegetables, fruit, and canned food. Trade became particularly brisk with the introduction of a national currency, the manat, which initially had considerable substance and the prospect of convertibility into dollars. But these hopes were not justified, and now trade between the two countries is often reduced to primitive barter. Moreover, with the exception of local cotton, raw hide, and petroleum products, the goods most demanded in Iran are those supplied to Turkmenistan by Russia, Ukraine, and Kazakhstan: Metal, timber, fertilizers, tractors, and various machinery.

As far as Turkmenistan is concerned, working on the basis of its strategic interests in the economy, Ashgabat is mainly interested in Iran as a partner for fulfilling its global objective of supplying Turkmen natural gas to Turkey and from there to Europe via Iranian territory.

Here, as in matters concerning the construction of the missing link in the trans-Asian railway, the partners are working in harmony, fully aware of the importance to both sides of the tasks being resolved.

Local pessimistically-minded independent observers believe that projects to build gas and oil pipelines and a main railway line are the only positive feature for Turkmenistan in its cooperation with Iran. When ties between the two countries were first stepped up, fears were expressed regarding the broad penetration of Islamic fundamentalism and its ideas from Iran. However, this danger was clearly exaggerated and the reverse process is rather being observed, with the secular way of life characteristic of the overwhelming majority of Turkmens accordingly making an impact on the Iranians.

A certain increase in resentment against the government's policy toward Iran can be seen among broad strata of the population. Unlike representatives of Turkey, who are mainly engaged in construction (some 20,000 Turkish workers are now on Turkmen building sites), the Iranians prefer to trade. However, they do not always trade honestly: Virtually every week the country's Chief State Inspectorate rejects large consignments of inferior quality foodstuffs supplied by Iran. It is an open secret that envoys of this southern country are "stirring up" corruption and, with the aid of blatant bribes, are trying to reorient Turkmen imports in favor of cheap consumer goods and inferior quality foodstuffs of Iranian origin.

We should be in no doubt that relations between these two neighboring countries might not be so serene if it were not for great Russia standing behind Turkmenistan. The joint protection of its external borders, its strategic partnership with Russia, and the fact that there are no differences of opinion on the most important world problems, including those concerning the development of the Caspian Sea's natural resources, are the background which gives Turkmen-Iranian ties their stability and mutual goodwill. Incidentally, at a time when the West, particularly the United States, is kicking up a fuss about the Russian-Iranian contract to finish building the Bushir nuclear power plant, Turkmenistan has not ventured a single remark on the subject. Why not? After all, it is a question of neighboring territory, and one would have thought that negative consequences were possible. Deals like these could primarily affect Turkmenistan. A high-ranking official from the republic's Foreign Ministry gave an unequivocal answer to my question:

"We now have no reason to mistrust either Russia or Iran. The strengthening of mutually advantageous ties between these great countries can only be to our benefit. The time of confrontation is past, and, to all appearances, Iran understands this even better than the West."

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Armenia

Foreign Minister Discusses Trip to Bulgaria

NC0607130895 Yerevan ARAGIL ELECTRONIC NEWS BULLETIN in English 0859 GMT 6 Jul 95

[FBIS Transcribed Text] Baku (June 30) TURAN [dateline as received]—The one-day visit of Azeri President to Bulgaria completed. Presidents Aliyev and Zhelyu Zhelev signed the agreement concerning friendship and cooperation between Azerbaijan and Bulgaria.

"This is the first such agreement between our countries and that is why it is a historical one", Azeri Foreign Minister, Gasan Gasanov, said in his interview to BBC radio station.

As Azeri Foreign Minister says "the program of broad cooperation between our countries is set" in the agreement. Gasan Gasanov mentioned that the documents on legal and economic cooperation between Azerbaijan and Bulgaria were signed as well. In particular, the agreements on scientific-technical and trade-economic relations, on development of transportation-communication relations between both countries have been signed.

As Gasanov said, during the talks the Bulgarian side showed in interest in the Azeri oil, in particular the readiness to ensure transit of oil from Baku to the West through the territory of Bulgaria has been expressed.

"Sofia offers several variants: to ship oil by tankers from Russian (Novorossisk) or Georgian (Poti, Batumi) ports on the Black sea to the Bulgarian port of Burgas. The export oil pipeline can be also laid along the bottom of the Black sea between these points," Azeri Foreign Minister said. Gasan Gasanov mentioned that for the first time the Bulgarian party raised this issue at the governmental level. The Minister believes that these proposals need careful examination and analysis.

European Institute Monitors Parliamentary Elections

NC0607130695 Yerevan NOYAN TAPAN in English 2215 GMT 5 Jul 95

[FBIS Transcribed Text] 06/07/95 NOYAN TAPAN — The Duesseldorf-based European Institute for the Media has been conducting a media-monitoring mission to Armenia with financing from the European Union's TACIS Democracy Programme. The monitoring team has examined media coverage of the Parliamentary elections which took place on July 5, together with the referendum on the new Constitution. Particular attention was paid to issues such as access to the media for all candidates, the ability of media to report freely and fairly, and impartiality of coverage. Monitoring by a local team on the quantitative and qualitative levels began on June 12 and continued to July 4, via statistical analysis of election-related programming on radio and television, as well as newspaper articles in the national press, and via a series of interviews with politicians, journalists and other prominent people conducted in the final two weeks by Lain Ellion (UK), Director of the British East-West Center.

The following are the preliminary findings: a final report will be published within weeks in Armenian and English.

1. The quantitative analysis of the media coverage demonstrates that the registered parties, both opposition and pro-government, were able to avail themselves of the half-hour free access to state radio and television plus up to one hour paid access, as stipulated in the regulations. They also had a half-page unpaid in the state press to promote their programme. A series of round-table discussions on state television gave viewers the opportunity to weigh the issues as presented by party representatives.

2. An examination of the major newspapers appearing in Armenian or Russian in the Republic shows no indication of direct censorship. A wide range of opinions regarding the election and the Constitution was available to readers, including articles highly critical of the government couched in very strong language.

3. The media in general suffer from the country's economic and social difficulties. Frequent power cuts interrupted viewing of some election programmes, although no deliberate pattern could be identified. Lack of advertising revenue and very low income levels mean that the number of newspaper copies published seldom surpassed 15,000 and for most opposition newspapers is closer to 5,000. Some opposition party titles no longer appear because of financial difficulties.

4. The small circulation of the press in Armenia places great responsibility on state-funded television and radio to give fair representation to the whole range of political opinion in the Republic. Quantitative and qualitative analysis of the programming recorded and monitored in the pre-election period demonstrates an overwhelming pro-governmental position in areas from news reporting to the choice of entertainment films.

The series "Political Patience" compered [presented] by the deputy president of State Television Vahram Martirosian, in its bias and ad hominem attacks, is a particularly clear example of journalism which falls far below the best standards.

5. This pro-government position of the electronic media exceptional in the countries of the former Soviet Union has serious consequences in terms of lack of balanced

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information on the major issues. This is of particular importance where a complex subject such as whether to vote for or against a new Constitution is to be decided by the electorate, and in this respect Armenian state radio and television have failed to provide the service which the public has a right to expect.

6. Although the situation regarding law and order is reportedly improving, there have been several cases of the firebombing and ransacking of opposition newspapers and of serious physical attacks on journalists and editors, which were repeatedly raised in the course of interviews. Last December, following the presidential decree suspending the Armenian Revolutionary Federation (Dashnaktsutyun) the party's newspapers were closed and some 100 journalists lost their jobs.

In January the opposition Golos Armenii was asked to vacate premises in the state owned House of the Press, despite having a lease until January 1996. The newspaper was widely supported by other non-government newspapers and has continued to appear while still under threats of eviction. Government ownership of the mass printing houses can be regarded as a method of placing journalists under pressure. These factors have clearly influenced the working climate for journalists in the pre-election period.

7. The monitoring team noted with interest the development of non-governmental local cable television as witnessed in Ashtarak. This station aims to provide subscribers (who are several times greater in number than the circulation of most newspapers) a full range of news and entertainment programmes. All local candidates had the opportunity to explain their views to voters on the cable station, which has plans to expand operations to Echmiadzin.

The present elections mark an important stage in Armenia's progress towards democratic institutions. The media reflect this delicate transition state.

A final report on the media coverage of the elections in Armenia will be published in Armenian and English. Copies will be available on request.

The conclusions expressed in this press release are the responsibility of the European Institute for the Media and should not be taken to reflect the policies or opinions of the European Commission.

The mission was finances by TACIS Democracy Programme. The TACIS programme was approved by the European Commission as part of the TACIS programme which exists to provide technical assistance to the countries of the ex-Soviet Union in their quest to adapt to a market economy under democratic conditions.

The European Institute for the Media is an independent policy-oriented body operating in the field of media research. Since December 1993, the Institute has carried out media-monitoring missions in Russia, Moldova, Ukraine, Hungary, Belarus, the former Yugoslav Republic of Macedonia and Estonia (these reports are available on request).

'Text' of European Observers' Statement

NC0707064695 Yerevan NOYAN TAPAN in English 1425 GMT 6 Jul 95

[FBIS Transcribed Text] 06/07/95 NOYAN TAPAN—At a news conference conducted on July 6 in Yerevan a delegation of Council of Europe Parliamentary Assembly which monitored the elections to the National Assembly of Armenia at the invitation of the Armenian Supreme Council made public a statement for press, stating that despite problems and violations that were observed during the elections and, taking into account the lack of democratic traditions in Armenia, the elections can be considered to have been free.

Representative from the Netherlands Mrs Hanneke Gerderblom-Lankhaut announced that the delegation could not provide information as to how fair the elections had been. It can be done only after final results of the elections and the referendum are known. Proceeding from this, the delegation will present a report to the Council of Europe in Strasbourg. Mrs Gerderblom-Lankhout said that the report of their delegation may, in particular, influence the decision of the Council of Europe to grant Armenia a special guest status in the organization. Among significant violations observed during the elections, she, in particular, pointed out to the way the military voted.

The following is the full text of the statement for press.

COUNCIL OF EUROPE PARLIAMENTARY ASSEMBLY DELEGATION ELECTIONS IN ARMENIA: A FIRST STEP ON THE WAY TO DEMOCRACY AND RULE OF LAW

Yerevan, 6.7.95: "Despite the shortages which affect also the mass media, freedom of expression has been respected throughout the campaign" said today Mr Dumeni Columberg (Christian Democrat, Switzerland), Head of the Council of Europe's parliamentary delegation. "However" he added "the citizens participating in the elections have not been able to express their support or their rejection of an important opposition party". The 8-member delegation visited different regions in the country. Mrs Hanneke Gelderblom-Lankhout (Liberal, the Netherlands) is in charge of writing the report on the elections.

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During its stay, the delegation met with L.Ter-Petrosyan, President of the Republic, G.Bagratyan, Prime Minister, representatives of various political parties, including those of the suspended opposition party (Dashnak) as well as with administrative and executive authorities in charge of the organization of the elections: the Central Electoral Committee, the Minister of the Interior, V.Siradeghyan, the Minister of Justice, V. Stepanyan, members of the Supreme Court. The parliamentarians spoke with journalists representing the different political trends and, according ti Mrs Josette Durrieu (Socilaist Senator, France) "The Armenian press has not yet found its place in the civil society nor the means required to play its role".

It also appears that "the system for collecting signatures in order to register candidates was unnecessarily complicated and might have led, in certain cases, to arbitrary decisions" said the Rapporteur. In expressing its opinion on the conduct of the elections, the 34-nation Parliamentary Assembly delegation takes into account the fact that these are the first free parliamentary elections and that there is no democratic tradition. Despite the problems found both during the preparation of the elections and during the polling itself, the process of vote can be considered to have been free.

The delegation has come to Armenia to monitor the elections at the invitation of the Speaker of the Armenian Parliament, Mr Babken Ararktsyan. The observers' report will be presented to the Assembly at its next session in September 1995 in Strasbourg.

The Armenian Parliament applied for special guest status on 22 December 1991. Today Albania, Belarus, Croatia, Moldova, Russia and the Ukraine already enjoy this status which enables representatives of the different political wings in their legislative assembles to take part - without a right to vote - in the debates of the Council of Europe's Parliamentary Assembly and, on invitation, in the work of the committees.

List of the delegation members:

Dhoros Khristodhoulidhis (Union of European Left, Cyprus)
Dumeni Columberg (Christian Democrat, Switzerland)
Josette Durrieu (Socilist, France)
Hanneke Gelderblom-Lankhout (Liberal, the Netherlands)
Tadeusz Iwinski (Socialist, Poland)
Jiri Karas (Christian Democrat, Czech Republic)
Jean-Louis Masson (RPR, France)
Jorunn Ringstad (Centre Party, Norway)

Elections, Referendum Valid; 70% Voter Turnout

LD0607104095 Moscow INTERFAX in English 0916 GMT 6 Jul 95

[FBIS Transcribed Text] YEREVAN, July 6 (INTERFAX) — According to early preliminary returns from the Central Electoral Commission in Yerevan, elections to the National Assembly and the referendum on a new constitution in Armenia can be regarded as valid. At least 70 percent of the electorate showed at ballot stations, a spokesman for the parliamentary press center told INTERFAX Thursday [6 July].

The poll took place in that Caucasus republic on July 5. A total of 190 parliamentary seats were contested by 1,369 candidates. Under the law, 40 National Assembly mandates are reserved for deputies running on party tickets, while the remaining 150 mandates go to candidates who garner a majority of votes. A total of 13 political parties and public associations took part.

Under the legislation the constitution is considered adopted if over 50 percent of the those voting favor it. Parliament may convene when over two-thirds of legislators are elected.

By early election results, the electoral alliance Republic, led by Armenia's ruling National Movement, managed to overcome the 5 percent barrier necessary for representation in parliament.

Paruir Airikyan, leader of the National Self-Determination Association, an influential opposition party, has declared to INTERFAX that the Central Electoral Commission's decision to keep the polling stations open until 22:00, instead of 20:00, on July 5 was "a breach of the law." He claims that "Armenia's President Levon Ter-Petrosyan was unhappy with the decision too, however, the Central Electoral Commission did as it pleased." In Airikyan's opinion, the voting was extended to secure more votes in support of the constitution.

Airikyan was negative about the new constitution, saying it lacks an article on dual citizenship, which is very important. Nor is a referendum on the constitution acceptable to him, he believes it should have been adopted by a constituent assembly.

Airikyan also claimed that the military had forced a number of opposition candidates to quit the race. The opposition also has information concerning various election irregularities.

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Opposition Claims Exclusion From Voting Verification

NC0607125095 Yerevan NOYAN TAPAN in English 0032 GMT 5 Jul 95

[FBIS Transcribed Text] 06/07/95 NOYAN TAPAN — Late on June 5, the Central Electoral Commission [CEC] took a decision on establishment of working groups for collecting and verification of data on elections. All the six opposition representatives in the CEC were excluded of these groups. This was reported by one of the leaders of the National Democratic Union, deputy Shavarsh Kocharyan.

In fact, these six CEC members were deprived of access to the information on the results of the elections. This testifies that the CEC prepares "mass falsifications", Mr. Kocharyan said. The head of the UN monitoring group, Mrs. Yamashita, has been informed about the incident. According to Mr. Kocharyan, she defined this event as an unprecedented one and promised to mediate. In Kocharyan's opinion, this decision provides an opportunity to falsify the data, especially from those precincts where the opposition had no observers. Shavarsh Kocharyan noted that such precincts were mainly situated in peripheral regions of Armenia.

According to the data provided by the National Democratic Union, there is great quantity of invalid ballots in different precincts which are stipulated by the fact that, besides one chosen party the name of the "Shamiram" party (last name in the list) was also left on the ballots, Shavarsh Kocharyan reported.

Supreme Council: No Election Results 'Official' Yet

NC0707062995 Yerevan NOYAN TAPAN in English 1554 GMT 6 Jul 95

[FBIS Transcribed Text] 06/07/95 NOYAN TAPAN— Head of the Armenian Supreme Council's information service Vahagn Mkrtichyan announced on July 6 that there had been no official results of the elections and referendum so far. He called upon journalists to refrain from making any statements on the results of the elections and the referendum on Constitution. In particular, Mr Mkrtichyan labeled as "inadmissible" headlines placed on the first page of the "HAYASTANI HANRAPETUTYUN" daily, which might have created an impression that the Constitution had been already adopted and the National Assembly had been elected.

According to Mkrtichyan, as of July 6 noon, Central Electoral Commission obtained information on results of the elections and the referendum only from 20 precincts, which is insufficient for drawing preliminary conclusions. As to the majority ballots their processing will take much more time, since there had been many complaints from almost all precincts.

According to preliminary data provided by sources close to the Central Electoral Commission, the draft Constitution won necessary amount of votes. Babken Araktsyan, Chairman of the Supreme Council First Deputy Chairman of the Supreme Council Ara Sahakyan, representatives of the pro-governmental "Hanrapetutyun" bloc Ter Husik Lazaryan, Edward Grigoryan, Karapet Rubinyan and others won in their precincts. Out of opposition representatives Arshak Sadoyan and Vazgen Manukyan won.

President: Referendum on Constitution 'Final Victory'

LD0607190895 Moscow INTERFAX in English 1730 GMT 6 Jul 95

[From the "Presidential Bulletin" feature: By Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] President Levon Ter-Petrosyan said he considers the parliamentary elections and the referendum on adopting a new constitution in Armenia as "the final victory of democracy in Armenia."

He told journalists Wednesday [5 July] that he was satisfied with the active participation of the population in the elections. Ter-Petrosyan said the importance of the Constitution's adoption could not be denied "because for any civilized country this is the basis of everything."

According to early preliminary returns from the Central Electoral Commission in Yerevan, elections to the National Assembly and the referendum on a new constitution in Armenia can be regarded as valid. At least 70 percent of the electorate showed at ballot stations, a spokesman for the parliamentary press center told INTERFAX Thursday. IF Note: The poll took place in that Caucasus republic on July 5. A total of 190 parliamentary seats were contested by 1,369 candidates. Under the law, 40 National Assembly mandates are reserved for deputies running on party tickets, while the remaining 150 mandates go to candidates who garner a majority of votes. A total of 13 political parties and public associations took part.

Under the legislation the constitution is considered adopted if over 50% of the those voting favor it. Parliament may convene when over two-thirds of legislators are elected.

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to overcome the 5 percent barrier necessary for representation in parliament.

OSCE observers attending Armenia's general elections pointed to a number of irregularities taking place during the election campaign.

At a news conference in Yerevan on Thursday, they gave a positive response to the course of the poll and early election results though adding that the banning of the leading opposition Dashnaktsutyun party would affect the final results. The observers also pointed to inadequate skills by the election officers.

Many say poor media coverage of the election campaign was the cause of general ignorance of the candidates or their election platforms and the new constitution put up for a nationwide referendum.

But on the whole, the observers say, both polls were held in an organized way and in line with international standards. There were only minor procedural faults, they told reporters. IF Note: Paruir Airikyan, leader of the National Self-Determination Association, an influential opposition party, has declared to INTERFAX that the Central Electoral Commission's decision to keep the polling stations open until 22:00, instead of 20:00, on July 5 was "a breach of the law." He claims that "Armenia's President Levon Ter-Petrosyan was unhappy with the decision too, however, the Central Electoral Commission did as it pleased." In Airikyan's opinion, the voting was extended to secure more votes in support of the constitution.

Airikyan was negative about the new constitution, saying it lacks an article on dual citizenship, which is very important. Nor is a referendum on the constitution acceptable to him, he believes it should have been adopted by a constituent assembly.

Airikyan also claimed that the military had forced a number of opposition candidates to quit the race. The opposition also has information concerning various election irregularities.

President Relieves Head of State Radio, TV From Post

NC0607194595 Yerevan Armenia's Radio First Program Network in Armenian 1900 GMT 6 Jul 95

[FBIS Translated Text] Tigran Rafayeli Hakobyan, head of the Armenian Television and Radio State Directorate, has been relieved of his post by a decree from Armenian President Levon Ter-Petrosyan.

Azerbaijan

Parliament Urged To Adopt Privatization Program

NC0607134795 Baku TURAN in English 1343 GMT 6 Jul 95

[FBIS Transcribed Text] Baku (July 1) [dateline as received] TURAN—The President Geydar Aliyev appealed the Milli Mejlis regarding the discussion by the Parliament the adoption of the privatisation program. The appeal reads that the program of privatisation of state property submitted to the Milli Mejlis will cover the period 1995-1998. It provides the formation of private owners, as a result favourable conditions for the market will be created, demonopolisation of the national economy and reconstruction of its structure, attraction of foreign investments as well as stabilisation of manats rate and increase of purchasing ability of the citizens. "The program will promote the increase of living standard of the population of the republic, activation of production and increase of the number of working places," the appeal says. The President Heydar notes that the program was to be adopted by the parliament till March 1, 1993 but it has not been done yet. (Law on Privatisation of State Property of Azerbaijan Republic" was adopted by the Milli Mejlis on January 7, 1993). The President recommended the Milli Mejlis to adopt the privatisation program which had been worked out by a special commission. The Milli Mejlis began the discussion of the privatisation program on June 30 and will continue it at its sessions.

Draft State Program on privatisation of state property of the Republic of Azerbaijan for 1995-1998 consists of 12 chapters. "The main purpose of privatisation is to provide conditions for the development of self-run market on the principles of private property, free enterprise and competition. The program provides adoption of decisions for turning state enterprises into stock companies with further privatisation. And the turning of state share and the option of the state in privatisation. It provides also a system of national deposit, forms of privatisation of small, large and medium enterprises.

Besides, they provide privatisation of stock banks and banks-shares, sell of stocks of specialised investment funds. The program notes the conditions of financing of the process of privatisation and use of income from privatisation.

Privatization Program Plans Detailed

NC0707070295 Baku TURAN in English 1356 GMT 6 Jul 95

[FBIS Transcribed Text] Baku (July 3) [dateline as received] TURAN—Since September 1, 1995 the Government of Azerbaijan intends to start state property

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privatisation and since August 1 it will distribute privatisation cheques among the population, Vice-Premier and the Chairman of the State Property Commission, Tofik Azizov, said during the press-conference on July 1.

He said that four types of enterprises are planned to be privatised. They are small, average and big enterprises, banks and investment funds. During small enterprises privatisation 15 percent of their shares will be sold to the employees of the enterprises at the price totalling 15 percent of the initial price of the shares. The remaining 85 percent of the shares will be sold at the auctions. There will be discount to the employees of the enterprises, that is they will be able to purchase the shares of their enterprise with less discount 30 percent. Moreover, they will receive the right to pay 30 percent of cost of share within five days and the remaining 40 percent within three years.

Before privatisation of average and big enterprises, their leaders are obliged to present the balance plan of the enterprise with the list and cost of the basic funds, sum of necessary investments and others to the State Property Commission. Under this plan, the Commission specially created in the State Property Committee will define the cost of its basic funds and initial price of the shares.

Azizov said that at present the instruction for evaluation of the property is under the check of the international auditor.

The citizens, who previously worked at the enterprise but now are retired as well as dismissed persons, will have the right to receive 15 percent shares of the enterprises at the initial price and 85 percent of the shares will be sold at the auction. Moreover, half of 85 percent of the shares will be sold to the population for privatisation cheques, 10 percent for cash and 25 percent will be at the disposal of the Government. Out of those 25 percent, 15 percent of shares will be remitted to the guarantee funds and will be spent for investment in the enterprises-bankrupts and another 10 percent will be sold at the international exchange stocks through the closed funds.

The banks, the founders of which were the state enterprises, are also subjected to privatisation. During privatisation the banks must return the resources invested by the state enterprises during foundation to the Government. The shares of these banks are planned to be sold at the auction price by the State Property Committee. It is not excluded that price for such shares will exceed their initial cost.

Azizov also noted that all privatisation operations will be conducted by the State Property Committee. However, several enterprises will be privatised by the resolution of the Azeri President, the Cabinet, Ministries and the heads of the Executive powers.

Each person has the right to purchase not more than 20 per cent of the shares on one enterprise. The members of the shareholding enterprises and size of their participation will be fixed in the register of the National Depository System.

Azizov mentioned that the population will be donated the cheques totalling 65 percent of the basic funds of the enterprises of the country, that is each person will receive one share with 4 cheques. The initial price for one share totals 367,000 manats and the cheque - 87,000 manats. There will be issued 8 million shares and 32 million cheques.

Georgia

Shevardnadze Thanks U.S. Government for Support

LD0607133295 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 6 Jul 95

[FBIS Translated Text] The head of state's press secretariat reports that Eduard Shevardnadze met with Kent Brown, the U.S. ambassador extraordinary and plenipotentiary to Georgia. The meeting focused on the current situation in and prospects for U.S.-Georgian cooperation. The Georgian head of state thanked the U.S. Government for its assistance to Georgia and in particular for the part the U.S. Government played in the recent International Monetary Fund decision with regard to Georgia which is so important for our country.

At the ambassador's request, Eduard Shevardnadze reviewed current developments in Abkhazia and outlined prospects for its settlement.

Interior Minister Departs for Talks in Moscow

LD0607173595 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 6 Jul 95

[FBIS Translated Text] Georgian Interior Minister Shota Kviraia left for Moscow today at the invitation of Colonel General Yevgeniy Abramov, acting Russian interior minister. The two officials will discuss topical issues concerning the relations between the ministries.

Turkey Advised To Halt Shipping To Abkhazia

LD0607171595 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 6 Jul 95

[FBIS Translated Text] Georgian Foreign Minister Aleksandre Chikvaidze met Tevfik Okyawuz, the

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Turkish ambassador extraordinary and plenipotentiary to Georgia, today CONTACT reported, referring to the press service of the Georgian Foreign Affairs Ministry.

The meeting focused on further expansion of bilateral relations. The sides considered administrative issues pertaining to the second checkpoint opened recently on the Georgia-Turkey border, as well as an itinerary of an expected visit to the border area by Turkish President Suleyman Demirel in connection with this significant occasion.

Aleksandre Chikvaidze drew the ambassador's attention to the sea traffic from Turkey to Abkhazia, and advised that Turkey take appropriate steps to stop any movement of ships without the Georgian Government's consent.

Government Seeks Control of Aid to Abkhazia

LD0607150995 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 6 Jul 95

[FBIS Translated Text] Here is a statement by the Government of the Republic of Georgia:

The recent natural disaster in Abkhazia, which caused several deaths and extensive damage, was seen by the Georgian population as their own pain and misfortune. Despite the difficult economic situation in the country, the Government of the Republic of Georgia considers it as its duty to provide Abkhazia, which is under Georgia's jurisdiction, with the necessary aid to eliminate the consequences of the disaster. Taking into account the current real political situation in the country, the Government of the Republic of Georgia appeals to the leaders of all countries and international organizations who are willing to help the population in the disaster area to address their propositions to the Government of the Republic of Georgia.

Abkhazia Hit by 'Economic Blockade'

MM0607131595 Moscow TRUD in Russian 1 Jul 95 p 3

[Report by Igor Chernov: "Dying of Hunger in Paradise. Economic Blockade of Abkhazia Fraught With Unexpected Consequences"]

[FBIS Translated Text] Sochi — Several years ago Abkhazia was described as a paradise on earth. It had a warm sea, palms, cypresses, wine aplenty and was a cornucopia of green vegetables, fruit, shashliks, and other delicacies to which the locals knew how to treat you. It is hard to believe that people are dying from hunger in Abkhazia today. This is going on next door to the well- fed (and so it should be) Russian resort of Sochi, just over the border running along the Psou River.

" A school teacher I knew died a few days ago," Doctor of Historical Sciences Yuriy Voronov, a deputy in the Abkhazian Parliament, told me. "He did not ask for charity as he could not lower himself to do so. A note was found beside him."

Yuriy Nikolayevich unfolded the piece of paper which had been torn from an exercise book and read it: "I realize what is happening but I cannot beg — I do not have the desire or the spirit to do so. I'm leaving this life. I bid you, my students, good-bye. I wish you a happy life — I hope that such wars and such personal affronts do not fall to your lot any more."

Statistics are not being kept of the mortality due to hunger in the Abkhazian cities and villages. But people really are dying from chronic malnutrition or, to be more precise, from illnesses which are inevitably exacerbated by hunger. Those who are starving include people who do not have their own land, truck gardens, or relatives in the countryside.... Old folk suffer more than others, as do representatives of the Russian-speaking population, as they have come to be known, who in the past came to Abkhazia to work in Sukhumi's scientific research institutes and Tkvarcheli's mines....

All of this is largely due to the harsh regime imposed along the Russian-Abkhazian border. As has been repeatedly reported, it was closed in December of last year in accordance with a Russian Federation Government decree. The reason for this was the beginning of the combat operations in Chechnya. But the decree referred to a **temporary** toughening of regulations relating to the passage of people and cargo. Six months have passed and instead of the expected relaxation the border has been closed completely. From 28 June, only Russian servicemen and representatives of the mission of UN observers have been allowed to cross it. Women with Abkhazian residence permits may return to Abkhazia from the Russian side together with their children. None of the customs and border services' bosses have any explanation as to why the Russian-Abkhazian border has been turned into an impenetrable barrier. "Those are our orders. If you want any information, approach the government...."

Until 28 June people were still crossing the border; they were being let through as special cases. One must now think that there will be no exceptions and consequently the small amount of goods which were just about filtering through from Russia to Abkhazia will dry up. Now the republic's residents only have one hope — Turkey; but there is no guarantee that the sea routes linking Sukhumi with Trebizond and Istanbul will not be cut.

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Abkhazia has in actual fact been caught in the grip of the harshest of economic blockades. The only road into the republic — the Novorossiysk-Sukhumi highway — has been closed by a border post on the Psou River, there are special-purpose militia detachment and border troop posts along the border's entire length in the mountain passes and on the mountain tracks, and in the East, beyond the Inguri River, lies Georgia, with which Abkhazia is, let us say, in a state of undeclared war in which there is but a temporary lull. In other words, the self-proclaimed state of the Republic of Abkhazia, which, naturally, has not been recognized by anyone, has been cordoned off from all sides.

Moscow observers reckoned that the border with Abkhazia was closed because Chechen gunmen were penetrating it. It is said that Shamil Basayev found refuge there and that the hospitals of Gagra and Sukhumi are bursting with wounded terrorists. The Abkhazian authorities refute this. Abkhazia's President Vladislav Ardzinba invites any commissions to come and have a look, check to see if there are any bases for training Chechen gunmen on Abkhazian territory or if the gunmen themselves are there.

Other observers consider that the toughening of the border regime and correspondingly the stepping up of the blockade are being used for one purpose — to force the intractable Abkhazian leadership to conclude a federal treaty with Georgia and forget about its declared sovereignty. But as a result of the measures taken, totally innocent ordinary people are suffering — those who receive 2,500 rubles pension. You only have to visit Sukhumi to see for yourself that all the blockade is causing the Abkhazian population to feel is bitterness toward those who imposed it — the Russian Government. And that deep down in their souls anti-Russian feelings are already developing.

A section of Russian Federation State Duma deputies tried on two occasions if not to break the blockade of Abkhazia then at least to tone down the restrictions. In February of this year, the State Duma adopted a decree "On a Humane Approach to the Needs of the Abkhazian Population." It was proposed that a humanitarian corridor be established for food deliveries. The Russian Federation Government ignored this proposal. Moreover, the blockade is being stepped up. Food, fuel, and building materials — everything without which it is very difficult to survive — are not being allowed into Abkhazia.

What are the possible consequences of the whole current situation in Abkhazia? I recently had the opportunity to attend a conference of the presidents of the North Caucasian Republics, which Russian Federation Prime Minister Viktor Chernomyrdin held. President of Adygea Aslan Dzharimov began his report by describing the socio-political situation in the republic. In his words, it is uneasy. "The people of Adygea are reacting very strongly to what is happening in Abkhazia." It is perfectly clear that, after the latest "screw-tightening" on the Abkhazian border, the reaction of the peoples of Adygea and the other North Caucasian republics will be equally strong....

Abkhazia Accuses Russian Deputies of 'Duplicitous Game'

LD0607222295

[FBIS Editorial Report] Moscow Mayak Radio Network in Russian at 1530 GMT on 6 July carries a 3-minute report by correspondent Zhurab Dvali from Tbilisi. Dvali reports that Georgian leader Eduard Shevardnadze has met representatives of the Abkhaz refugees who have been demonstrating in front of the parliament building in Tbilisi for the second week now. He does not specify when the meeting took place. He reports:

"Although the refugees assured Eduard Shevardnadze their actions were not aimed against the authorities, he nevertheless had to listen for the umpteenth time to unpleasant accusations that the Georgian leadership was helpless in the matter of the real return of peaceful citizens to Abkhazia. The head of state told the participants in the action about the steps taken by him and by members of the republic leadership to settle the Georgian-Abkhaz conflict and assured them that everything was being done in the present conditions. Nevertheless, the number of refugees in front of the parliament in Tbilisi did not diminish at all even after talks with the head of state. Moreover, in the second half of the day, it became known that a large group of refugees from Abkhazia who are in Zugdidi at present intend to come by bus to Tbilisi on 8 July and join those taking part in the action in front of the parliament.

"Today, the Abkhaz Supreme Soviet and Cabinet of Ministers, temporarily in Tbilisi, adopted a joint statement. It says in particular that a whole group of Russian deputies is playing a duplicitous game with regard to the Georgian-Abkhaz conflict. They support in words Georgia's territorial integrity and condemn Abkhaz separatism, but by their deeds they support the Gudauta authorities. Incidentally, such Russian State Duma deputies as Sergey Baburin and Konstantin Zatulin do not hide their overt anti-Georgian sentiments. They are the ones who initiated the discussion in the State Duma of the question of Abkhazia's annexation to Russia. Naturally, their actions do not further in any way a peaceful settlement of the Georgian-Abkhaz conflict."

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Georgian, Abkhaz Officials May Have Agreed on Repatriation

LD0607153895 Tbilisi Radio Tbilisi Network in Georgian 1200 GMT 6 Jul 95

[FBIS Translated Text] We have learned from the staff of Georgian Deputy Prime Minister Avtandil Margiani that a meeting between representatives of the Georgian and Abkhaz sides was held in the Zugdidi District village of Anaklia. Deputy Prime Minister Avtandil Margiani, Defense Minister Lieutenant General Vardiko Nadibaidze, Colonel Anzor Margiani from the Ministry of Internal Affairs, and Head of Zugdidi Administration Edisher Chargazia represented the Georgian side. The Abkhaz side was represented by Ruslan Kishmaria, head of Gali district administration, and Aleksandr Arshba, deputy chairman of the Abkhaz committee of state security. The meeting was initiated and led by Lieutenant General Vasiliy Yakushev, commander of the peacekeeping forces stationed in Abkhazia. The sides have agreed to start unimpeded repatriation of the refugees to Gali District with guarantees for them secured by both sides.

With regard to the meeting, we asked Mr. Tamaz Nadareishvili, chairman of the Supreme Council of the Autonomous Republic of Abkhazia, to comment on the details of the meeting. He said he knew nothing about the meeting and had no information on it.

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Estonia

President Meri Receives Polish Army Chief

LD0607202595 Tallinn Television Network in Estonian 1800 GMT 6 Jul 95

[FBIS Translated Excerpt] [Studio announcer] At an invitation from Lieutenant General Aleksander Einseln, the Estonian Defense Forces commander, General Tadeusz Wilecki, the commander of the Polish Armed Forces, is visiting Estonia. The visit was preceded by General Einseln's visit to Poland in February of this year. The aim of their meetings is to develop military cooperation between Estonia and Poland.

[Correspondent] [passage omitted] Defense-related cooperation can be developed within the Partnership for Peace program. General Wilecki viewed this as very important from the point of view of security, and noted that this year Poland is taking part in 200 events within the program.

The training of Estonian naval officers in the Polish Navy has been under discussion. According to [Estonian] Defense Minister Andrus Oovel, Estonia is also interested in some products of the developing Polish military industry. At a reception at the presidential palace he said that a defense agreement with Poland has been drawn up, and it is only the date of the Polish defense minister's visit to Estonia that needs to be specified, so as to get the agreement signed.

[Studio announcer] President Meri gave a dinner at Kadriorg palace, in honor of Tadeusz Wilecki, the Polish defense forces commander. The president made a statement about the talks that were attended by Lieutenant General Einseln, the Defense Forces commander, and Defense Minister Andrus Oovel.

[Begin Meri recording] Both countries, the Republic of Poland and the Republic of Estonia, are aware of their responsibility for ensuring security and peaceful development within the Baltic space. [end recording]

[Studio announcer] Having concluded the European agreement, both Estonia and Poland have turned their eyes to NATO so as to ensure security in another form, alongside economic security. Taking into account geopolitical realities, it will be both countries' common aim to join NATO as full members, although it is quite obvious that NATO's enlargement is a time-consuming process.

President Meri voiced a hope that Estonian and Polish joint efforts will help to prevent a repeat of the past in tomorrow's Europe, and welcomed the increasing defense-related cooperation between the two countries.

Human Rights Official Critical of Status of Russians

WS0607082695 Tallinn ETA in English 1710 GMT 5 Jul 95

["News Release"]

[FBIS Transcribed Text] Max van der Stoel, High Commissioner of Human Rights and Ethnic Minorities of the Organisation for Security and Cooperation in Europe (OSCE) has criticized the situation of the Russian minority in Estonia.

The problems connected with the Russian ethnic minority still persist, their status has not been determined, Stoel said in the session of OSCE Parliamentary Assembly in Canada.

OSCE has already drawn the attention of the Estonian government to the matter with several suggestions about the issue, the high official of OSCE reminded.

OSCE Parliamentary Assembly session in Canada is attended by Estonian MPs Tiit Kabin and Raoul Uksvarav.

Lithuania

Latvian President Continues Official Visit

Disputed Oil Deposits Discussed

LD0607125495 Riga Radio Riga Network in Latvian 1200 GMT 6 Jul 95

[FBIS Translated Text] If oil is found in the disputed area of the Baltic Sea, then both Latvia and Lithuania will be using it, Latvian President Guntis Ulmanis told a news conference in Vilnius today. The shape and structure of oil deposits are not yet known.

According to Lithuanian President Algirdas Brazauskas, exploration of the deposits has to be carried out first of all. Only after that can problems of their utilization be tackled. If the borderline crosses the area of oil deposits, it will be possible to agree on joint exploration and utilization of the deposits.

Ulmanis stressed that Latvia's cooperation with the U.S. company Amoco on the possibility of extracting oil in the Baltic Sea was only at the stage of a project. Any agreement would come into force only after the borderline is establish. The president expressed the view that Latvia [words indistinct] cooperation with Amoco until the sea border is established.

We remind you that at the end of June, the Lithuanian Ministry of Foreign Affairs sent another note to Latvia protesting against Latvia's talks with companies of other countries on the possibility of extracting oil in the disputed area of the Baltic Sea.

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Friendship With Russia Favored

LD0607133695 Moscow ITAR-TASS in English 1301 GMT 6 Jul 95

[By Vladas Burbulis]

[FBIS Transcribed Text] VILNIUS, July 6 (ITAR-TASS) — "Russia is our neighbour. It is a country with which Latvia must keep up friendly relations, just as with the other countries of the world. However, we need much patience in dealing with Russia," Latvian President Guntis Ulmanis, currently paying an official visit to Lithuania, today told a press conference here, which was held jointly with Lithuanian President Algirdas Brazauskas.

The Latvian President noted that "good will from both sides was needed to develop these relations in the needed direction. As to Latvia, we have exerted much efforts to arrange a Latvian-Russian summit or, at least, a meeting of our foreign ministers. However, no answer has so far been received from Moscow. I hope that, in spite of everything, such a meeting will be called this year".

Dwelling on Lithuania's relations with Russia, Brazauskas described them as "normally established". He said that "the question of creating a Baltic military alliance was not discussed at presidential level. We discussed only cooperation among military structures and their approximation to NATO standards, as well as the formation of a joint Baltic peace-making battalion. The Baltic Assembly has exceeded its prerogatives by prematurely getting down to the creation of a Baltic military alliance".

The statements by the presidents of the two countries show that their views have not coincided on the expediency of building a Lithuanian oil terminal at Buting. Ulmanis believes that it would be better to jointly use the Ventspils terminal in Latvia and to expand it.

As to the disputed sea border in the Baltic, the heads of the two states said that the "problem will be settled".

After the press conference, the Latvian president and his party left for Kaunas, where they will see the sights of the city. Ulmanis will return to Vilnius today evening to attend a festive meeting of the parliament, government, and representatives of political parties, devoted to the Lithuanian State Day, a national holiday of the republic. The Latvian president will leave for Riga late today evening.

Ulmanis Ready To Compromise on Border

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[From the "Presidential Bulletin" feature: by Nikolay Zherebtsov, Andrey Petrovskiy, edited by Vladimir Shishlin]

[FBIS Transcribed Text] Latvian President Guntis Ulmanis, currently in Vilnius for a two-day official visit, has said that his country is ready to seek compromises to establish a state border with Lithuania in the Baltic Sea.

Addressing a news conference on Thursday, Ulmanis said: "The question about the sea border and the division of economic zones at the shelf, where, according to experts, may be oil resources, aggravated the relations between our neighboring countries, which is indicative from the fact that over the past several months the Lithuanian Foreign Ministry sent to the Latvian Foreign Ministry three notes of protest against Latvia's intentions to conduct unilateral talks with foreign firms on prospecting and development of oil resources at the shelf, which the Lithuanian side considers disputable."

Lithuanian President Algirdas Brazauskas, who took part in the news conference, said that to solve the problem on the border, first of all, it is necessary to agree on the mutually-acceptable basis for the development of oil structures. After that the question on border will be settled very easily.

Ulmanis told journalists that during his visit to Lithuania the two sides reached an understanding to continue meetings of experts to search for mutually-acceptable solutions. According to the Latvian president, if forecasts on the oil presence are true, they may be developed only by joint efforts of Lithuania and Latvia, and any agreements between Latvia and foreign firms about the prospecting and development of oil resources will come into force only after the border between Lithuania and Latvia is established.

During the first ever official visit by the Latvian president to Lithuania, said Brazauskas, the main attention was focused on the problems of creating a customs union, cooperation in the sphere of control and strengthening the protection of external borders and the air space of the Baltic countries.

Ulmanis also said that under discussion were problems of joint actions aimed at a successful integration into the European Union and other European countries, as well as cooperation in carrying out joint projects for the efficient use of coastal zones, Latvian gas tanks, creating joint air routes and railways.

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Asked by INTERFAX, whether relations with Russia were discussed during the visit, Brazauskas assessed the current relations between Vilnius and Moscow as "well-established". During the visit, he said, they were discussed within the context of solving day-to-day problems, such as measures to curb illegal migration, goods smuggling and better protection of eastern borders of the Baltic states.

Answering an INTERFAX question, Ulmanis said that Latvia "is interested to maintain with Russia such neighborly relations as with other countries." For this, he said, "benevolence of both sides is needed". To develop these relations in the direction acceptable for both sides, Latvia, said Ulmanis, took efforts to organize a summit meeting between the leaders of Russia and Latvia or at least at the level of foreign ministers, but the efforts so far remain unanswered. I am an optimist and hope that such a meeting will take place this year. This will help the development of our neighborly relations.

The Latvian president has called on the Lithuanian side to discuss the possible cooperation in the use of the Latvian port Ventspils and the Lithuanian Mazeikiai oil refinery. "I believe that the construction of two rival terminals in Ventspils and Butinge (where Lithuania begins building a terminal for import-export of oil and oil products — IF) is unprofitable for our two countries," said the Latvian president.

Addressing earlier the plenary session of the Lithuanian parliament, Ulmanis favored the creation of a common strategy for joining the EU; joint efforts aimed at harmonizing the laws to suit the European standards.

During the process of joining the European space, said Ulmanis, it is necessary to materialize the principle of free movement of people, goods, capital and services between the Baltic states.

The head of the Latvian state favored the expediency to continue pursuing coordinated foreign policy of the Baltic states, including with neighboring countries, cooperate in ensuring security, control over the air space and state borders, curb illegal migration, smuggling, crime; develop cooperation in the sphere of culture, science and education, and in other spheres.

Latvian President Concludes Visit

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[FBIS Translated Excerpt] The first official visit of the Latvian president to Lithuania in the history of bilateral relations between the two countries has been completed.

Latvian President Guntis Ulmanis took part in a joint conference with Lithuanian President Algirdas Brazauskas this morning. The Latvian leader said his country was prepared to look for compromise concerning the oil deposit in the Baltic Sea.

Ulmanis and his wife took part in the flag hoisting ceremony dedicated to Lithuania's Day of Statehood. After that, the guest visited Kaunas, accompanied by Algirdas Brazauskas. Upon returning from Kaunas, Guntis Ulmanis took part in the reception on the occasion of the Day of Statehood in Vilnius. At this reception, President Algirdas Brazauskas delivered a speech. [passage omitted]

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